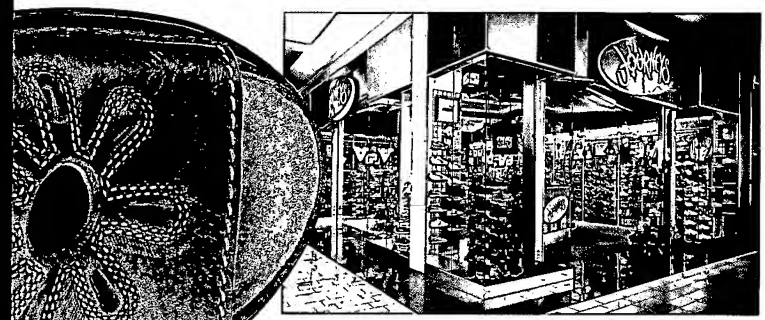
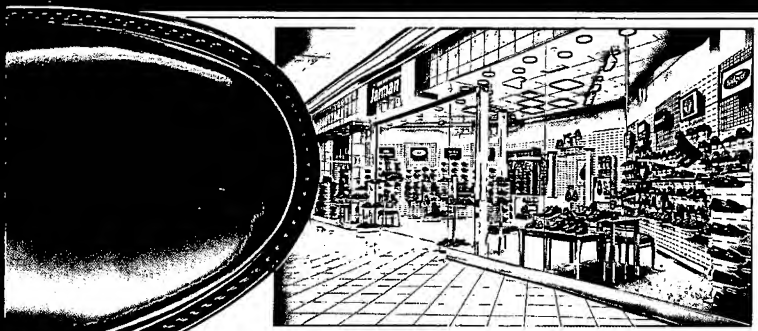


GENESCO INC.

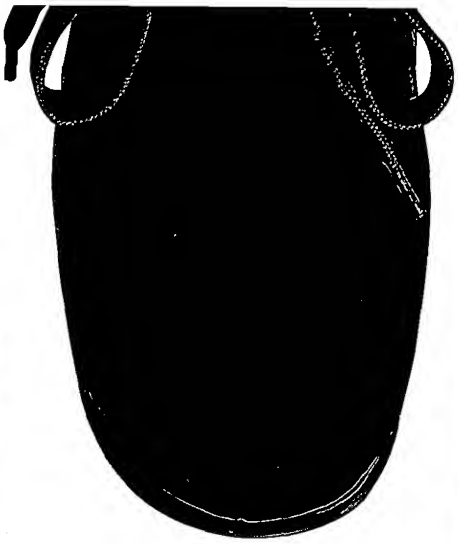
JOURNEYS · JOHNSTON & MURPHY · JARMAN · UNDERGROUND STATION · DOCKERS · NAUTICA · VOLUNTEER LEATHER

2000 ANNUAL REPORT

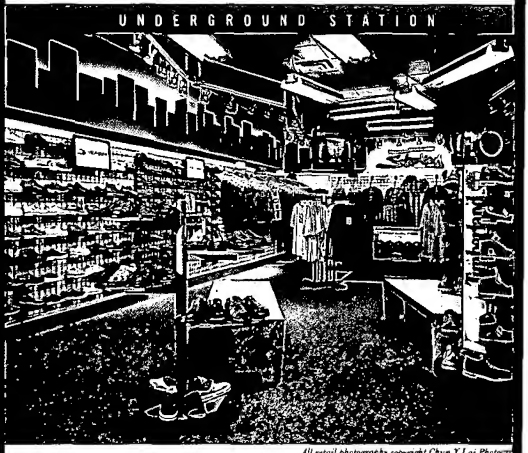


JARMAN

Jarman is the leading provider of branded casual and dress footwear for the wardrobe-building man ages 20 to 45.



Underground Station is the newest in fashion footwear and hook-ups for the fashion conscious consumer ages 18 to 35.



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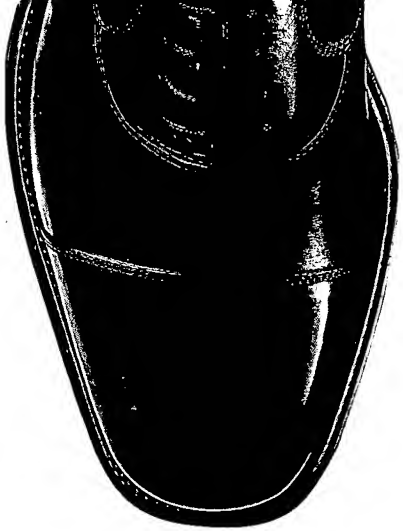
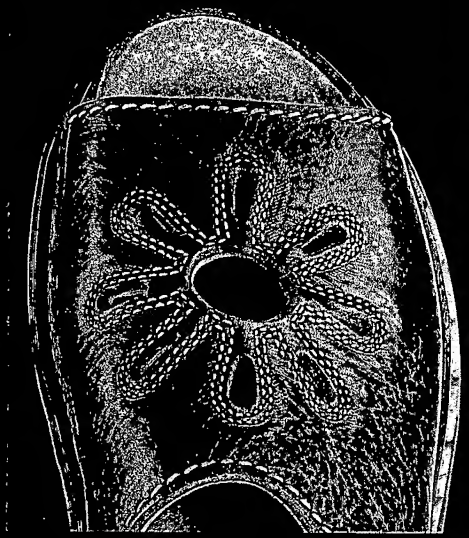
JOURNEYS

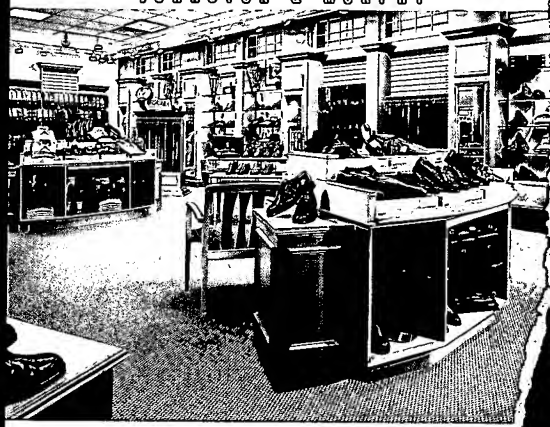
Wide-eyed, fearless, hip and diverse teens go to Journeys for the coolest brands. With more than 320 stores across America, Journeys is the destination for those who walk, run, hang, skate, grind and ride to their own beat.



Johnston & Murphy is the lifestyle brand of choice for today's gentleman. With a 150-year history of quality craftsmanship and sophisticated styling, the brand offers footwear, accessories, leather goods and apparel through its signature retail stores, premier department stores, catalogs and the Internet, as well as internationally.



JOHNSTON & MURPHY



Journeys is a destination retailer for footwear and accessories for the teen market. With more than 320 stores nationwide, Journeys caters to a diverse, young, hip market, ages 13 to 22, in search of footwear that expresses its attitudes and lifestyles. Brands sold at Journeys include Dr. Martens, Skechers, Lugz, Steve Madden, Timberland, Vans, Soap, Airwalk, adidas, Candie's, GBX, MIA and more.

JOHNSTON & MURPHY.

Johnston & Murphy is the lifestyle brand of choice for today's gentleman. With a 150-year history of quality craftsmanship and sophisticated styling, the brand offers footwear, belts, hosiery, shoe care products, leather goods and apparel through its signature retail stores, premier department stores, direct mail catalogs and the Internet, as well as internationally.

JARMAN
Since 1924

Jarman retail stores market an assortment of branded casual and dress footwear in its 140 retail shoe stores. Located primarily in urban and suburban malls, Jarman's target customers are men ages 20 to 45.

Underground Station markets fashion footwear and hook-ups for the fashion conscious consumer ages 18 to 35. There are more than 20 Underground Station retail stores located primarily in urban areas. Brands sold at Underground Station include Timberland, Lugz, Buffalino and Phat Farm.

Dockers Footwear is the exclusive U.S. licensee of Levi Strauss & Co. for the sale, marketing and distribution of Dockers brand men's footwear.

NAUTICA
FOOTWEAR

Nautica Footwear designs and markets dress casual and casual shoes, hiking boots, boys' shoes and Nautica Sport Tech (NST) athletic footwear under a license from Nautica Apparel.

VOLUNTEER

Volunteer Leather Company is the leading supplier of performance footwear leathers for the United States armed forces, as well as a leather supplier to leading commercial footwear producers.

TABLE OF CONTENTS

Company Profiles	Inside front cover
Retail Concepts	Front cover fold-out
Financial Highlights/Business of Genesco	1
Letter to Shareholders	2
Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Financial Summary	17
Management's Responsibility for Financial Statements	18
Report of Independent Accountants	18
Consolidated Balance Sheet	19
Consolidated Earnings	20
Consolidated Cash Flows	21
Consolidated Shareholders' Equity	22
Notes to Consolidated Financial Statements	23
Board of Directors and Corporate Officers	47
Corporate Information	48
Licensed Brands	Inside back cover
Genesco's Retail Network Map	Back cover fold-out

THE BUSINESS OF GENESCO

Founded in 1924, Nashville, Tennessee-based Genesco Inc. is a leading retailer and marketer of branded footwear. It operates more than 675 footwear retail stores in the U.S., principally under the names Journeys, Johnston & Murphy and Jarman. Genesco also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers and Nautica brands. The Company also produces leather through the Volunteer Leather Company, a leather tanning and finishing business. Genesco relies primarily on independent third party manufacturers for the production of its footwear.

FINANCIAL HIGHLIGHTS

Genesco Inc. and Consolidated Subsidiaries

	2000	1999	Percent Change
For The Year:			
Net sales	**$573,720,000**	$549,748,000	4%
Earnings before discontinued operations and extraordinary loss	**$ 25,922,000**	$ 54,923,000	(53%)
Net earnings	**$ 25,922,000**	$ 53,128,000	(51%)
Diluted earnings per common share before discontinued operations and extraordinary loss	**$ 1.05**	$ 1.89	(44%)
Diluted net earnings per share	**$ 1.05**	$ 1.83*	(42%)
At Year End:			
Working capital	**$138,007,000**	$155,778,000	(11%)
Long-term debt	**$103,500,000**	$103,500,000	0%
Shareholders' equity	**$108,242,000**	$116,579,000	(7%)
Shares outstanding	**21,226,000**	23,839,000	(11%)
Book value per share	**$ 4.73**	$ 4.56	4%
Approximate number of common shareholders of record	**7,400**	10,000	

** Fiscal 1999 fully-taxed, pro forma earnings were $0.70 per diluted share, before income tax benefits and other non-recurring items that added $1.13 per diluted share to reported net earnings.*

THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD BE MATERIALLY DIFFERENT. FOR A DISCUSSION OF SOME OF THE FACTORS THAT COULD ADVERSELY AFFECT FUTURE RESULTS, PLEASE SEE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

PEOPLE BEING INTRODUCED TO GENESCO often remark that we're doing a lot of different things in the Company. On one level, that's certainly true: We sell shoes through a variety of channels – in bricks-and-mortar retail stores, in wholesale distribution, on the internet and through direct mail catalogs – to a customer base that runs from the Pacific Coast Highway right up Main Street to Madison Avenue.

Less superficially, though, all of our businesses really do the same thing and succeed to the extent that they do it well: *They know their customers well enough to offer them the shoes they want in the environment in which they want to shop.* Admittedly, it sounds simple, but I remember a time not so long ago when Genesco didn't live by that principle. And our industry landscape is littered with the debris of companies that didn't come to grips with it in time.

Fortunately, we did, and our performance proves it. Fiscal 2000 was a great year for Genesco, marking our sixth consecutive year of profitable growth in ongoing sales. We started the year strong and finished stronger, exceeding both internal and external expectations for sales and earnings every quarter. We also beat our plan for retail store openings, finishing the year with 679 stores. And we had positive cash flow from operations, even with that kind of aggressive growth.

Our industry leadership did not go unnoticed. For the third time in six years, we were recognized by the Footwear Distributors and Retailers of America as the top performing full-service footwear retailer for 1999.

JOURNEYS

Journeys, our fastest growing business, surely best represents the customer-focused, market-driven ideal of all Genesco's businesses. This chain is a recognized phenomenon in the teenage market, having earned its status as "the store" where Generation Y buys its shoes and accessories. Journeys offers "attitude you can wear," summing up the key to its growing equity as a retail brand – the right shoes for sale in the right atmosphere. With comparable store sales growth of 13 percent in Fiscal 2000, Journeys has produced double-digit comparable increases in four of the last five years.

With results like that, it is easy to see why Journeys is our leading growth vehicle. We plan to open up to approximately 100 stores this year, surpassing the 400-store milestone by the end of the year. We are also planning other investments to sustain and enhance Journeys' momentum. In March, we announced that Journeys would launch an aggressive new marketing initiative this year. The initiative includes a revamped website, a direct mail catalog, an in-store magazine and a television advertising campaign. These components are designed to build on the chain's longstanding and highly successful grass roots marketing program, which has included event sponsorships and vendor collaborations with special promotions, among other features.

We have grown Journeys into a teen footwear retail powerhouse over the past five years simply by acting on our core principle of offering what our customers

want in a shopping environment they find uniquely appealing. Now we believe we have the critical mass to make these more aggressive marketing initiatives pay off. By expanding our marketing efforts with these new initiatives, we plan to continue building Journeys as a retail brand and strengthen its identity as the destination retailer for footwear and accessories for the teen lifestyle.

Ben T. Harris
Chairman, President & Chief Executive Officer

JOHNSTON & MURPHY

The Johnston & Murphy division has for many years been Genesco's flagship, a proud brand offering well crafted footwear for gentlemen. It provides another excellent illustration of the rewards of genuine customer focus, especially in a changing market. The last decade's "casualization" of the American professional, capped by recent announcements by Wall Street's leading investment banking houses of corporate casual dress codes, could have spelled twilight for what was essentially a fine dress shoe company. Instead J&M saw an opportunity.

The Johnston & Murphy brand, comprised of J&M retail shops and factory stores, direct marketing, including catalog and Internet, and J&M wholesale, has done an exceptional job of transforming itself into a lifestyle brand of choice for today's gentleman. It offers a wide selection of footwear, from casual and tailored casual to contemporary and dress styles, complemented by its collections of belts, hosiery, shoe care products, leather goods and apparel.

This transformation is illustrated by a comparison of its footwear mix in 1992 and the present. Classic dress shoes represented 55 percent of Johnston & Murphy's total sales in 1992. Last year it was 29 percent. Casual footwear represented only 16 percent of total sales in 1992. Today it is 43 percent and growing.

Once again, the results speak for themselves. Overall, the Johnston & Murphy brand had a 13 percent increase in sales in Fiscal 2000. Johnston & Murphy retail had a very strong year. Comps in the retail shops were up 5 percent for the year, extending their record to 19 consecutive quarters of positive comps.

Johnston & Murphy's Internet business really took off last year, as well. Sales on the Internet for J&M reached $500,000 in the fourth quarter and $1.3 million for the total year. This tripled Fiscal 1999's volume on the Net and is equivalent to almost two J&M retail stores. Johnston & Murphy's website was also one of 11 apparel-related sites named in the

Luxe Shopping section of Forbes.com spring issue titled, "Best of the Web." The site was complimented on its selection and presentation.

This year Johnston & Murphy marks its 150th anniversary, celebrating "150 Years of Style." A highlight of the year-long festivities is its sponsorship of the Lincoln Center Jazz Orchestra's spring tour, featuring Wynton Marsalis.

JARMAN

The Jarman division, with its Jarman and Underground Station chains, also showed the benefits of improved customer focus in Fiscal 2000. A remerchandising program in the Jarman stores made steady progress throughout the year and fueled comp store sales improvement from a negative 13 percent in the third quarter of Fiscal 1999 to a positive 12 percent in the fourth quarter of Fiscal 2000. The Underground Station stores, which target an urban, fashion-conscious consumer, took off during the year, and we look to open around 20 more Underground Station stores this year, roughly doubling the size of this chain.

LICENSED BRANDS

Dockers Footwear had a great year, with sales up 21% for the year and improved operating margins. We continue to see great potential in this business, which unites a great brand with great product, offering perhaps the best price-value relationship in the moderate men's shoe market today.

Nautica Footwear struggled last year. However, we have taken action to reposition it for a new start. One step has been with new management, and I am encouraged with the action I have seen so far. Another is the fact that we have strengthened product design, development and sourcing by bringing it all in-house. Although Nautica represents only 5 percent of our overall business, we feel that it can be repositioned as a nice small business.

I have often said that Genesco's success is mostly due to the talented and dedicated people who make it work by putting our customer focus into action. This year, we celebrated together our 75th anniversary with the appropriate theme, "Footwear for Generations." As part of our celebration, we created two very special endowments with The Community Foundation of Middle Tennessee commemorating our 75 years in Middle Tennessee.

GENESCO BECOMES AN EVA COMPANY IN FISCAL 2000

In Fiscal 2000 Genesco formally implemented EVA®, or Economic Value Added, a financial management system developed by Stern Stewart & Company.

EVA = net operating profit after taxes less a charge for capital invested

EVA is nothing more than earning as much as we can while using the least amount of assets. We believe this creates shareholder value. Since we have linked all incentive compensation – at all levels of the Company – to continuous EVA improvement, we believe this is driving behavior that leads to improved financial performance and, thus, increased shareholder value.

Our EVA improvement for Fiscal 2000 (which exceeded our goals) was driven by earning more than planned while using fewer assets. This strong EVA improvement translated into strong financial performance as measured by some of the more common external financial measurements, such as:

- EPS of $1.05, an improvement of 50%, fully taxed.
- A 25% return on a share of Genesco stock.
- $40 million returned to shareholders through a stock buyback program.
- Operating income margin improvement from 6.9% to 8.4%.
- Free cash flow from operations of $23 million.
- Ongoing inventories at year-end up only 1.6% on a Fourth Quarter sales increase of 22%.

In short, focusing the efforts of our outstanding employees through EVA-based incentive compensation helped to drive an excellent year for our shareholders.

EVA is a registered trademark of Stern Stewart & Co.

First, we created a fund for the community at large, designed to "Help People Get Back on Their Feet." We also endowed a scholarship fund for the benefit of our employees and their families. We could not imagine a better way to reflect our strong belief in nurturing the development of our tremendous pool of talent than by investing in the education of our employees and their family members. I am very proud to say we will be awarding four scholarships in this inaugural year.

The promotion of Hal Pennington to the position of executive vice president and chief operating officer of Genesco is this year's most tangible evidence of the strength of that internal talent pool. Hal is a 38-year veteran of the Company who most recently served as president of Johnston & Murphy. He has exceptional operational expertise and leadership skills and is a valued asset to Genesco. I am very much enjoying the chance to work with Hal as we continue to make the most of the opportunities before us and together take the next steps into Genesco's future.

Fifteen years ago, I was given the opportunity to turn around one of our retail chains. At the time, Jarman was offering its own private label merchandise exclusively. Not coincidentally, it was failing. From my previous experience of running leased shoe departments in a chain of department stores, I knew that the customer wanted nationally recognized brands. I told my boss that we had to remerchandise the stores to satisfy the customer. To his credit, he let me run with this radical concept at the time, and we turned Jarman around, making it succeed as it never had before.

Hal N. Pennington *(left)*
Executive Vice President and Chief Operating Officer

Ben T. Harris *(right)*
Chairman, President and Chief Executive Officer

What I understood intuitively then has been confirmed in Genesco's triumphs and failures in succeeding years: Only when you know your customers at least as well as they know themselves, and allow this knowledge to dictate your approach to them, do you earn their loyalty and respect. We are committed to this principle at Genesco. I believe it accounts for the good results you'll see reflected in the following pages and provides the basis for more of the same this year.

Sincerely,

Ben Harris

Ben T. Harris
Chairman, President and Chief Executive Officer

This discussion and the notes to the Consolidated Financial Statements include certain forward-looking statements. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect future results, liquidity and capital resources. These factors include changes in consumer demand or tastes that affect sales at retail or wholesale, changes in buying patterns by significant wholesale customers, changes in business strategies by the Company's competitors, the Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels, the ability to execute its strategies to achieve improvements in Nautica's performance and the outcome of litigation and environmental matters, including those discussed in Note 16 to the Consolidated Financial Statements. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted and the Company may alter its business strategies to address changing conditions.

SIGNIFICANT DEVELOPMENTS

Jarman Leased Department Transition

Under an agreement with Mercantile Stores Company, Inc. the Company operated the men's shoe departments in Mercantile department stores through the Company's Jarman Leased department division. Because of the 1998 acquisition of Mercantile by Dillards Inc., the Company has ended its operation of the leased departments. The Company transferred the remaining Jarman Leased departments to Dillards Inc. and Saks Inc. during the first quarter ended May 1, 1999. The Jarman Leased departments business contributed sales of $1.2 million, $47.4 million and $52.3 million for Fiscal 2000, 1999 and 1998, respectively. The Jarman Leased departments business contributed operating earnings (loss) of ($0.3) million, $2.1 million and $4.1 million for Fiscal 2000, 1999 and 1998, respectively.

Share Repurchase Program

During the third quarter ended October 31, 1998, the Company's board of directors authorized the repurchase of up to 2.6 million shares of the Company's common stock. During the fourth quarter ended January 30, 1999, the board authorized an additional 2.2 million shares to be repurchased. In August of 1999, the board authorized the repurchase of an additional 1.0 million shares. In February of 2000, the board authorized the repurchase of an additional 1.0 million shares. The purchases may be made on the open market or in privately negotiated transactions. In total, the Company's board of directors has authorized the repurchase of 6.8 million shares of the Company's common stock. As of January 29, 2000, the Company had repurchased 5.8 million shares at a cost of $51.8 million.

Workforce Reduction

In connection with the Boot Divestiture discussed below and the closing of the Jarman Leased departments, the Company reviewed the structure and level of staffing in all of its operations during the third and fourth quarters of Fiscal 1999. Upon completion of the review, the Company recorded a $1.3 million charge to earnings, included in selling and administrative expenses, during the fourth quarter of Fiscal 1999 for a workforce reduction of 66 positions, of which substantially all were eliminated by January 29, 2000. Twenty-six of the positions eliminated related to the Jarman Leased departments business, with the remainder being primarily employed at corporate headquarters.

Fiscal 1998 Restructuring

As a result of the continued weakness in the western boot market, the Company approved a plan in the fourth quarter of Fiscal 1998 to exit the western boot business (the "Boot Divestiture"). In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million in the fourth quarter of Fiscal 1998, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less estimated costs to sell. The charges related to the Boot Divestiture also included $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs. On June 12, 1998, the Company and Texas Boot, Inc. entered into an agreement providing for the purchase by Texas Boot, Inc. of most of the assets related to the western boot business, including the Company's 26 store Boot Factory retail chain, which the Company had not planned to include in the Boot Divestiture. The Company completed the divestiture on July 14, 1998. Net sales of the Company's western boot business were $16.6 million and $59.3 million for Fiscal 1999 and 1998, respectively, and the operating loss was $1.3 million and $2.6 million for Fiscal 1999 and 1998, respectively.

Net earnings for the second quarter ended August 1, 1998 reflect a restructuring gain of $2.4 million, primarily from the Boot Divestiture. The gain represents savings of expected employee-related costs and facility shutdown costs because the buyer continued to operate a manufacturing facility that the Company would have closed and retained certain employees whose positions the Company would have eliminated. The Company's actions relating to the Boot Divestiture directly resulted in the elimination of 622 jobs, including all positions related to the western boot business and the Boot Factory retail chain.

In addition to the charge related to the Boot Divestiture, the Company took a charge of $0.6 million during the fourth quarter of Fiscal 1998 to consolidate staff in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

During the second quarter of Fiscal 1998, the Company recorded a restructuring gain of $1.1 million and losses from an asset impairment and other charges of $0.8 million, resulting in a net gain of $0.3 million reported in the income statement. The restructuring gain relates to both the Manufacturing Restructuring and a restructuring plan adopted in the third quarter of Fiscal 1995 (the "1995 Restructuring"). It arose primarily from the sale of one facility and cancellation of leases on two facilities (including one facility included in the 1995 Restructuring) more quickly and on more favorable terms than contemplated when the reserves were established. The asset impairment and other charges during the second quarter of Fiscal 1998 arose from the decrease in production in one of the Company's western boot plants as a result of continued weakness in the western boot market. The asset impairment and other charges related to excess equipment, including $0.1 million of equipment covered by operating leases.

BUSINESS SEGMENTS

The Company operates through six operating reportable business segments (not including corporate): Journeys; Jarman, comprised of the Jarman, Underground Station and Stone & Co. retail footwear chains; Johnston & Murphy, comprised of Johnston & Murphy retail stores and wholesale distribution; Licensed Brands, comprised of Dockers and Nautica Footwear; Other Retail, comprised of General Shoe Warehouse and the Jarman Leased departments, both of which were closed in FY 2000; and Leather.

RESULTS OF OPERATIONS — FISCAL 2000 COMPARED TO FISCAL 1999

The Company's net sales for Fiscal 2000 increased 4.4% to $573.7 million from $549.7 million in Fiscal 1999. Excluding net sales attributable to the divested Other Retail and western boot businesses from both periods, the Company's net sales increased 18.4% to $564.9 million in Fiscal 2000 from $477.0 million in Fiscal 1999. Gross margin for Fiscal 2000 increased 5.2% to $257.1 million in Fiscal 2000 from $244.4 million in Fiscal 1999 and increased as a percentage of net sales from 44.5% in Fiscal 1999 to 44.8% in Fiscal 2000. Selling and administrative expenses in Fiscal 2000 were flat with Fiscal 1999 but decreased as a percentage of net sales from 38.0% in Fiscal 1999 to 36.5% in Fiscal 2000. Explanations of the changes in results of operations are provided by business segment in discussions following this introductory paragraph.

Earnings before income taxes, discontinued operations and extraordinary loss ("pretax earnings") for Fiscal 2000 were $41.9 million compared to $31.1 million for Fiscal 1999. Pretax earnings for Fiscal 1999 included a restructuring gain of $2.4 million primarily relating to the Boot Divestiture and $2.3 million of other charges, primarily litigation and severance charges, including the fourth quarter $1.3 million workforce reduction charge discussed above.

Net earnings in Fiscal 2000 were $25.9 million ($1.05 diluted earnings per share) compared to $53.1 million ($1.83 diluted earnings per share) for Fiscal 1999. In addition to the adjustments to earnings discussed above, Fiscal 1999 earnings included a tax benefit of $23.8 million, a gain from discontinued operations, net of tax, of $0.5 million ($0.01 diluted earnings per share) and an extraordinary charge, net of tax, of $2.2 million ($0.07 diluted earnings per share) for the early retirement of debt. The Company recorded an effective federal income tax rate of 38.2% for Fiscal 2000.

The Fiscal 1999 tax benefit of $23.8 million related to reversal of valuation reserves on deferred tax assets in the fourth quarter of Fiscal 1999. The reversal resulted from the reassessment by the Company of the levels of valuation allowances. The Company concluded it was more likely than not that the increased levels of deferred tax assets will be realized due to increased levels of profitability, future income projections and the substantial removal of uncertainties surrounding the Company's divestitures.

Journeys

	Fiscal Year Ended		
(dollars in thousands)	**2000**	1999	% Change
Net sales	**$215,318**	$159,965	34.6%
Operating income	**$ 29,719**	$ 21,704	36.9%
Operating margin	**13.8%**	13.6%	

Reflecting both a 28% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen) and a 13% increase in comparable store sales, net sales from Journeys increased 34.6% for Fiscal 2000 compared to Fiscal 1999. The average price per pair of shoes increased 3% in Fiscal 2000 and unit sales increased 31% during the same period. The store count for Journeys included 323 stores at the end of Fiscal 2000 compared to 258 stores at the end of Fiscal 1999.

Journeys operating income for Fiscal 2000 was up 36.9% to $29.7 million compared to $21.7 million in Fiscal 1999. The increase was due to increased sales both from store openings and a comparable store sales increase and decreased expenses as a percentage of sales.

Jarman

	Fiscal Year Ended		
(dollars in thousands)	**2000**	1999	% Change
Net sales	**$86,897**	$83,315	4.3%
Operating income	**$ 4,336**	$ 2,983	45.4%
Operating margin	**5.0%**	3.6%	

Primarily due to an 8% increase in comparable store sales, net sales from Jarman increased 4.3% for Fiscal 2000 compared to Fiscal 1999. The increase in sales was driven primarily by Underground Station stores. The average price per pair of shoes increased 7% in Fiscal 2000 while unit sales decreased 4% during the same period. Jarman operated 161 stores at the end of Fiscal 2000, including 21 Underground Station stores and six Stone & Co. stores. It had operated 166 stores at the end of Fiscal 1999, including 17 Underground Station stores.

Jarman operating income for Fiscal 2000 was up 45.4% to $4.3 million compared to $3.0 million in Fiscal 1999 and increased as a percent of sales to 5.0% from 3.6% in Fiscal 1999. The increase was due to increased sales, increased gross margin in dollars and as a percentage of sales due primarily to lower markdowns and decreased expenses as a percentage of sales.

Other Retail

	Fiscal Year Ended		
(dollars in thousands)	**2000**	1999	% Change
Net sales	**$8,840**	$56,184	(84.3%)
Operating income (loss)	**$ (500)**	$ 2,214	NA
Operating margin	**(5.7%)**	3.9%	

The Jarman Leased departments business was closed in the first quarter of Fiscal 2000. Primarily because of the loss of sales from the Jarman Leased departments business and a 14% decrease in comparable store sales for General Shoe Warehouse, net sales from Other Retail decreased 84.3% for Fiscal 2000 compared to Fiscal 1999. Other Retail operating income for Fiscal 2000 was down $2.7 million from Fiscal 1999 as a result of the decreased sales and decreased gross margins as a percentage of sales. As of January 29, 2000, only five Other Retail stores were open, which were General Shoe Warehouse stores, compared to 94 Other Retail stores operated at the end of Fiscal 1999. In the first quarter of Fiscal 2001, four of the General Shoe Warehouse stores were transferred to the Jarman operating segment and one was transferred to the Johnston & Murphy operating segment. The Company will no longer report results from the Other Retail segment.

Johnston & Murphy

	Fiscal Year Ended		
(dollars in thousands)	2000	1999	% Change
Net sales	$166,340	$147,434	12.8%
Operating income	$ 22,187	$ 19,708	12.6%
Operating margin	13.3%	13.4%	

Johnston & Murphy net sales increased 12.8% to $166.3 million in Fiscal 2000 from $147.4 million in Fiscal 1999, reflecting primarily a 4% increase in comparable store sales for Johnston & Murphy retail operations, which accounted for 63% of Johnston & Murphy segment sales in Fiscal 2000 and 62% of Johnston & Murphy segment sales in Fiscal 1999, a 9% increase in average Johnston & Murphy retail stores operated and a 10% increase in Johnston & Murphy wholesale sales. The store count for Johnston & Murphy retail operations at the end of Fiscal 2000 included 143 Johnston & Murphy stores and factory stores compared to 132 Johnston & Murphy stores and factory stores at the end of Fiscal 1999. The average price per pair of shoes for Johnston & Murphy retail increased 1% in Fiscal 2000 and unit sales increased 11% during the same period. Unit sales for the Johnston & Murphy wholesale business increased 12% in Fiscal 2000, while the average price per pair of shoes decreased 3% for the same period, reflecting increased promotional activities and mix changes.

Johnston & Murphy operating income for Fiscal 2000 increased 12.6% from $19.7 million in Fiscal 1999 to $22.2 million in Fiscal 2000, primarily due to increased sales and decreased expenses as a percentage of sales from increased leverage.

Licensed Brands

	Fiscal Year Ended		
(dollars in thousands)	2000	1999	% Change
Net sales	$74,122	$67,356	10.0%
Operating income	$ 2,487	$ 2,435	2.1%
Operating margin	3.4%	3.6%	

Licensed Brands net sales increased 10.0% to $74.1 million in Fiscal 2000 from $67.4 million in Fiscal 1999, reflecting primarily a 9% increase in Licensed Brands wholesale sales. Licensed Brands' net sales also included the net sales of unmanned leased shoe departments in Nautica retail outlets operated by an affiliate of the licensor of the Nautica trademark. There were 47 Nautica leased departments at the end of Fiscal 2000, compared to 24 Nautica leased departments at the end of Fiscal 1999. Unit sales for the Licensed Brands wholesale businesses increased 16% in Fiscal 2000, while the average price per pair of shoes decreased 6% for the same period, reflecting increased promotional activities.

Licensed Brands operating income for Fiscal 2000 increased 2.1% from $2.4 million in Fiscal 1999 to $2.5 million in Fiscal 2000, primarily due to increased sales and decreased expenses as a percentage of sales.

Leather

	Fiscal Year Ended		
(dollars in thousands)	2000	1999	% Change
Net sales	$22,203	$18,934	17.3%
Operating income	$ 1,363	$ 898	51.8%
Operating margin	6.1%	4.7%	

Leather net sales increased 17.3% to $22.2 million in Fiscal 2000 from $18.9 million in Fiscal 1999, primarily due to increased orders from military footwear suppliers, which make up the majority of the Company's tanned leather business.

Leather operating income for Fiscal 2000 increased from $0.9 million in Fiscal 1999 to $1.4 million in Fiscal 2000, primarily due to increased sales and decreased expenses as a percentage of sales. The Company does not expect continued operating income improvement in Fiscal 2001, because of product margin pressures from increased raw material prices and competitive pressures in pricing.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for Fiscal 2000 were $10.9 million compared to $11.0 million for Fiscal 1999 (exclusive of other charges of $0.8 million, primarily litigation and severance charges, in Fiscal 2000 and a restructuring gain of $2.4 million and other charges of $2.3 million, primarily litigation and severance charges, in Fiscal 1999), a decrease of 1.3%. The decrease in corporate expenses in Fiscal 2000 is attributable primarily to decreased professional fees.

Interest expense decreased 11.9% from $9.3 million in Fiscal 1999 to $8.2 million in Fiscal 2000, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% on $75 million in borrowings as a result of the notes being redeemed in Fiscal 1999 to 5 1/2% on $103.5 million of convertible notes issued in Fiscal 1999. Interest income decreased 18% from $2.6 million in Fiscal 1999 to $2.2 million in Fiscal 2000, due to decreases in general marketplace interest rates. There were no borrowings under the Company's revolving credit facility during either Fiscal 2000 or Fiscal 1999.

RESULTS OF OPERATIONS — FISCAL 1999 COMPARED TO FISCAL 1998

The Company's net sales for Fiscal 1999 increased 2.5% to $549.7 million from $536.1 million in Fiscal 1998. Excluding net sales attributable to the divested Other Retail and western boot businesses from both periods, the Company's net sales increased 14.6% to $477.0 million in Fiscal 1999 from $416.2 million in Fiscal 1998. Gross margin for Fiscal 1999 increased 9.3% to $244.4 million in Fiscal 1999 from $223.6 million in Fiscal 1998 and increased as a percentage of net sales from 41.7% in Fiscal 1998 to 44.5% in Fiscal 1999. Selling and administrative expenses for Fiscal 1999 increased 11.1% to $209.1 million in Fiscal 1999 from $188.1 million in Fiscal 1998 and increased as a percentage of net sales from 35.1% in Fiscal 1998 to 38.0% in Fiscal 1999.

Earnings before income taxes, discontinued operations and extraordinary loss ("pretax earnings") for Fiscal 1999 were $31.1 million compared to $8.9 million for Fiscal 1998. Pretax earnings for Fiscal 1999 included a restructuring gain of $2.4 million primarily relating to the Boot Divestiture and $2.3 million of other charges, primarily litigation and severance charges, including the fourth quarter $1.3 million workforce reduction charge discussed above. Pretax earnings for Fiscal 1998 included an $18.0 million restructuring charge incurred primarily in connection with the Boot Divestiture and a net gain of $0.3 million in the second quarter of Fiscal 1998 related to restructurings and asset impairments as discussed in detail above.

Net earnings in Fiscal 1999 were $53.1 million ($1.83 diluted earnings per share) compared to $8.7 million ($0.31 diluted earnings per share) for Fiscal 1998. In addition to the charges to earnings discussed above, Fiscal 1999 earnings included a tax benefit of $23.8 million, a gain from discontinued operations, net of tax, of $0.5 million ($0.01 diluted earnings per share) and an extraordinary charge, net of tax, of $2.2 million ($0.07 diluted earnings per share) for the early retirement of debt. Fiscal 1998 net earnings included an extraordinary charge of $0.2 million ($0.01 diluted earnings per share) for the early retirement of debt.

The Fiscal 1999 tax benefit of $23.8 million related to reversal of valuation reserves on deferred tax assets in the fourth quarter of Fiscal 1999. The reversal resulted from the reassessment by the Company of the levels of valuation allowances. The Company concluded it was more likely than not that the increased levels of deferred tax assets will be realized due to increased levels of profitability, future income projections and the substantial removal of uncertainties surrounding the Company's divestitures.

Journeys

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$159,965**	$120,775	32.4%
Operating income	**$ 21,704**	$ 16,915	28.3%
Operating margin	**13.6%**	14.0%	

Reflecting both a 48% increase in average Journeys stores operated and a 1% increase in comparable store sales, net sales from Journeys increased 32.4% for Fiscal 1999 compared to Fiscal 1998. The average price per pair of shoes decreased 2% in Fiscal 1999 while unit sales increased 38% during the same period. The store count for Journeys included 258 stores at the end of Fiscal 1999 compared to 176 stores at the end of Fiscal 1998.

Journeys operating income for Fiscal 1999 was up 28.3% to $21.7 million compared to $16.9 million in Fiscal 1998. The increase was due to the increased sales and increased gross margin as a percentage of sales.

Jarman

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$83,315**	$82,729	0.7%
Operating income	**$ 2,983**	$ 8,151	(63.4%)
Operating margin	**3.6%**	9.9%	

Primarily due to a 10% increase in average Jarman stores operated, net sales from Jarman increased 0.7% for Fiscal 1999 compared to Fiscal 1998 despite a 7% decrease in comparable store sales for Fiscal 1999. The average price per pair of shoes decreased 5% in Fiscal 1999 while unit sales increased 5% during the same period. Jarman operated 166 stores at the end of Fiscal 1999, including 17 Underground Station stores. It had operated 158 stores at the end of Fiscal 1998.

Jarman operating income for Fiscal 1999 was down 63.4% to $3.0 million compared to $8.2 million in Fiscal 1998. The decrease was due to decreased gross margin as a percentage of sales due to higher markdowns and increased expenses as a percentage of sales primarily due to the 10% increase in average Jarman stores operated and the decline in comparable store sales, which resulted in increased occupancy related expenses and selling salaries.

Other Retail

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$56,184**	$60,621	(7.3%)
Operating income	**$ 2,214**	$ 4,724	(53.1%)
Operating margin	**3.9%**	7.8%	

Primarily due to a 12% decrease in comparable store sales for Other Retail, net sales from Other Retail decreased 7.3% for Fiscal 1999 compared to Fiscal 1998. The average price per pair of shoes decreased 4% in Fiscal 1999 and unit sales decreased 3% during the same period. The store count for Other Retail included 94 stores at the end of Fiscal 1999 compared to 96 stores at the end of Fiscal 1998.

Other Retail operating income for Fiscal 1999 was down 53.1% to $2.2 million compared to $4.7 million in Fiscal 1998. The decrease was due to decreased sales, decreased gross margin as a percentage of sales and increased expenses as a percentage of sales caused in large part by the leased department transition. See "Jarman Leased Departments Transition" under Significant Developments above for further information.

Johnston & Murphy

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$147,434**	$125,568	17.4%
Operating income	**$ 19,708**	$ 14,827	32.9%
Operating margin	**13.4%**	11.8%	

Johnston & Murphy net sales increased 17.4% to $147.4 million in Fiscal 1999 from $125.6 million in Fiscal 1998, reflecting primarily an 8% increase in comparable store sales for Johnston & Murphy retail operations, which accounted for 62% of Johnston & Murphy segment sales in Fiscal 1999 and Fiscal 1998, a 4% increase in average Johnston & Murphy retail stores operated and a 15% increase in Johnston & Murphy wholesale sales. The store count for Johnston & Murphy retail operations at the end of Fiscal 1999 included 132 Johnston & Murphy stores and factory stores compared to 127 Johnston & Murphy stores and factory stores at the end of Fiscal 1998. The average price per pair of shoes for Johnston & Murphy retail increased 2% in Fiscal 1999 and unit sales increased 14% during the same period. Unit sales for the Johnston & Murphy wholesale business increased 13% in Fiscal 1999 while the average price per pair of shoes remained flat for the same period.

Johnston & Murphy operating income for Fiscal 1999 increased 32.9% from $14.8 million in Fiscal 1998 to $19.7 million in Fiscal 1999, primarily due to increased sales and increased gross margin as a percentage of sales.

Licensed Brands

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$67,356**	$57,890	16.4%
Operating income	**$ 2,435**	$ 4,505	(45.9%)
Operating margin	**3.6%**	7.8%	

Licensed Brands net sales increased 16.4% to $67.4 million in Fiscal 1999 from $57.9 million in Fiscal 1998, reflecting primarily a 15% increase in Licensed Brands wholesale sales. There were 24 Nautica leased departments at the end of Fiscal 1999 compared to four Nautica leased departments at the end of Fiscal 1998. Unit sales for the Licensed Brands wholesale businesses increased 20% in Fiscal 1999 while the average price per pair of shoes decreased 5% for the same period.

Licensed Brands operating income for Fiscal 1999 decreased 45.9% from $4.5 million in Fiscal 1998 to $2.4 million in Fiscal 1999, primarily due to decreased gross margin as a percentage of sales due to increased markdowns in the Company's Nautica Footwear business and increased expenses as a percentage of sales.

Leather

	Fiscal Year Ended		
(dollars in thousands)	**1999**	1998	% Change
Net sales	**$18,934**	$29,218	(35.2%)
Operating income	**$ 898**	$ 1,519	(40.9%)
Operating margin	**4.7%**	5.2%	

Leather net sales decreased 35.2% to $18.9 million in Fiscal 1999 from $29.2 million in Fiscal 1998, primarily due to lower orders from military footwear suppliers, which were impacted by a decrease in demand for leather military footwear, which make up the majority of the Company's tanned leather business.

Leather operating income for Fiscal 1999 decreased 40.9% from $1.5 million in Fiscal 1998 to $0.9 million in Fiscal 1999, primarily due to lower sales and increased expenses as a percentage of sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for Fiscal 1999 were $11.0 million compared to $11.8 million for Fiscal 1998 (exclusive of a restructuring gain of $2.4 million and other charges of $2.3 million, primarily litigation and severance charges, in Fiscal 1999 and a restructuring charge of $17.7 million and other charges of $0.9 million, primarily litigation and severance charges, in Fiscal 1998), a decrease of 6.5%. The decrease in corporate expenses in Fiscal 1999 is attributable primarily to decreased compensation expense, including decreased bonus accruals.

Interest expense decreased 9.1% from $10.2 million in Fiscal 1998 to $9.3 million in Fiscal 1999, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% on $75 million in borrowings as a result of the notes being redeemed in Fiscal 1999 to 5 1/2% on $103.5 million of convertible notes issued in Fiscal 1999. Interest income increased 101% from $1.3 million in Fiscal 1998 to $2.6 million in Fiscal 1999, due to increases in average short-term investments as a result of the increased cash from the Boot Divestiture and the net proceeds from the issuance of $103.5 million of 5 1/2% convertible subordinated notes. There were no borrowings under the Company's revolving credit facility during either Fiscal 1999 or Fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth certain financial data at the dates indicated.

	Jan. 29,	Jan. 30,	Jan. 31,
(dollars in thousands)	**2000**	1999	1998
Cash and short-term investments	**$ 57.9**	$ 58.7	$ 49.3
Working capital	**$138.0**	$155.8	$119.3
Long-term debt (includes current maturities)	**$103.5**	$103.5	$ 75.0
Current ratio	**2.8x**	3.1x	2.6x

Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Cash flow from operations is generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was $45.7 million in Fiscal 2000 compared to $7.5 million in Fiscal 1999. The $38.2 million increase in cash flow from operating activities reflects primarily improved earnings, a much smaller increase in inventory for Fiscal 2000 compared to Fiscal 1999 and an increase in accrued liabilities for increased bonus accruals and income taxes to be paid in Fiscal 2001. The Company's earnings before income taxes, discontinued operations and extraordinary loss improved $10.9 million with an increase of only $2.6 million in taxes paid as the Company utilized its remaining net operating loss carryforwards. Contributing to the inventory change was a slowdown in store openings from 162 stores in Fiscal 1999 compared to 113 stores in Fiscal 2000 and the sell off of Jarman Leased departments inventory. Cash provided by operating activities was $7.5 million in Fiscal 1999 compared to $26.9 million in Fiscal 1998. The $19.4 million decrease in cash flow from operating activities reflects primarily $8.2 million in pension contributions and a $9.4 million reduction in accrued liabilities due to payments related to the Boot Divestiture, changes in timing of interest payments and decreased bonus accruals.

The $0.3 million increase in inventories at January 29, 2000 from January 30, 1999 levels reflects planned increases in retail inventory to support the net increase of 83 stores, excluding Jarman Leased departments, in Fiscal 2000. The $12.3 million increase in inventories at January 30, 1999 reflects planned increases in retail inventory to support the net increase of 93 stores, excluding Jarman Leased departments, in Fiscal 1999 and increases in men's wholesale inventory to support growth in certain of the wholesale businesses.

Accounts receivable at January 29, 2000 decreased $0.7 million compared to January 30, 1999 primarily due to exiting the Jarman Leased departments business. Accounts receivable at January 30, 1999 increased $2.8 million compared to January 31, 1998, primarily due to increased sales of men's branded footwear.

Cash provided (or used) due to changes in accounts payable and accrued liabilities are as follows:

		Fiscal Year Ended	
(dollars in thousands)	**2000**	1999	Change
Accounts payable	**$ (348)**	$ (634)	$11,209
Accrued liabilities	**4,385**	(3,107)	(2,456)
	$4,037	$(3,741)	$ 8,753

The fluctuations in accounts payable for Fiscal 2000 from Fiscal 1999 and for Fiscal 1999 from Fiscal 1998 are due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels. The change in accrued liabilities in Fiscal 2000 was due primarily to increased bonus accruals and income tax accruals. The change in accrued liabilities in Fiscal 1999 was due primarily to payments related to the Boot Divestiture and changes in timing of interest payments.

There were no revolving credit borrowings during Fiscal 2000, 1999 and 1998, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures.

Capital Expenditures

Capital expenditures were $22.3 million, $23.5 million and $24.7 million for Fiscal 2000, 1999 and 1998, respectively. The $1.2 million decrease in Fiscal 2000 capital expenditures as compared to Fiscal 1999 resulted primarily from a decrease of capital expenditures connected with new system initiatives related to the year 2000 which more than offset the increase in retail store capital expenditures due to the increase in new stores. The $1.2 million decrease in Fiscal 1999 capital expenditures as compared to Fiscal 1998 resulted primarily from a decrease in the number of major renovations in retail stores for Fiscal 1999 versus Fiscal 1998.

Total capital expenditures in Fiscal 2001 are expected to be approximately $29.8 million. These include expected retail expenditures of $24.5 million to open up to approximately 100 Journeys stores, 13 Johnston & Murphy stores and factory stores, 41 Jarman Retail stores which includes approximately 20 Underground Station stores and three Stone & Co. stores and to complete 42 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately $5.3 million, including approximately $2.0 million for new systems to improve customer service and support the Company's growth.

YEAR 2000

The Company completed its Year 2000 software program conversions and compliance programs during the fourth quarter of Fiscal 2000. The total cost of upgrading most of the Company's major operating systems, including the Year 2000 project for Fiscal Years 1998 through 2000, was $19.1 million. Of the total project cost, approximately $11.2 million is attributable to the purchase of new software and hardware which has been capitalized. The remaining $7.9 million has been expensed, including costs of $1.8 million for Fiscal 2000. Subsequent to December 31, 1999, the Company has not experienced any material Year 2000 problems either internally or from mutside sources. The Company has no reason to believe that Year 2000 problems will materially affect it in the future. However, since it may take several additional months before it is known whether the Company or third party suppliers, vendors or customers may have had Year 2000 problems, no assurances can be given that the Company will not experience losses or disruptions due to Year 2000 computer-related problems. The Company will continue to monitor its operations for any Year 2000 problems.

ENVIRONMENTAL AND OTHER CONTINGENCIES

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 16 to the Company's Consolidated Financial Statements. The Company has made provisions for certain of these contingencies, including approximately $250,000 reflected in Fiscal 1998, $402,000 reflected in Fiscal 1999 and $472,000 reflected in Fiscal 2000. The Company monitors these matters on an ongoing basis and at least quarterly management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. Because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, however, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

FUTURE CAPITAL NEEDS

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its capital expenditures through Fiscal 2001, although the Company may borrow from time to time to support seasonal working capital requirements. The approximately $3.1 million of costs associated with the prior restructurings and discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand. The Company has also authorized the additional repurchase, from time to time, of up to 1.0 million shares of the Company's common stock. These purchases will be funded from available cash. The Company repurchased 3.4 million shares at a cost of $39.5 million during Fiscal 2000. The Company has repurchased a total of 5.8 million shares at a cost of $51.8 million from previous authorizations for Fiscal 1999 and Fiscal 2000.

There were $9.8 million of letters of credit outstanding under the revolving credit agreement at January 29, 2000, leaving availability under the revolving credit agreement of $55.2 million.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to capital stock. At January 29, 2000, $30.1 million was available for such payments. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, $2.30 Series 1, $4.75 Series 3 and $4.75 Series 4, and on its $1.50 Subordinated Cumulative Preferred Stock is $300,000.

FINANCIAL MARKET RISK

The following discusses the Company's exposure to financial market risk related to changes in interest rates and foreign currency exchange rates.

Outstanding Debt of the Company — The Company's outstanding long-term debt of $103.5 million 5 1/2% convertible subordinated notes due April 2005 bears interest at a fixed rate. Accordingly, there would be no immediate impact on the Company's interest expense due to fluctuations in market interest rates. The fair value of the Company's long-term debt was $77.8 million at January 29, 2000 based on a dealer quote.

Cash and Short-Term Investments — The Company's cash and short-term investment balances are invested in financial instruments with original maturities of three months or less. The Company does not have significant exposure to changing interest rates on invested cash at January 29, 2000. As a result, the interest rate market risk implicit in these investments at January 29, 2000, if any, is low.

Foreign Currency Exchange Rate Risk — Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. The loss from such transaction was $2.5 million at January 29, 2000. At January 29, 2000, the Company had $30.1 million of foreign exchange contracts for Italian Lira and Euro. As of January 29, 2000, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately $5.0 million.

Summary — Based on the Company's overall market interest rate and foreign currency rate exposure at January 29, 2000, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates or fluctuations in foreign currency exchange rates on the Company's consolidated financial position, result of operations or cash flows for Fiscal 2001 would not be material.

The Company does not purchase or hold any derivative financial instruments for trading purposes.

CHANGES IN ACCOUNTING PRINCIPLES

The American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, in March 1998. The Company adopted the new rules in Fiscal 2000 and capitalized approximately $0.6 million of software development costs during the year.

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, effective for fiscal years beginning after June 15, 1999. The Financial Accounting Standards Board issued SFAS No. 137 in July 1999 to delay the effective date of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. At this time, the impact of adopting the provisions of this statement is not currently estimable and will depend on the financial position of the Company and the nature and purpose of the derivative instruments in use at that time.

INFLATION

The Company does not believe inflation has had a material impact on sales or operating results during periods covered in this discussion.

FINANCIAL SUMMARY

Genesco Inc. and Consolidated Subsidiaries

In thousands, except per common share data	Fiscal Year End				
Financial Statistics and Other Data	**2000**	1999	1998	1997	1996
RESULTS OF OPERATIONS DATA					
Net sales	**$573,720**	$549,748	$536,107	$461,348	$434,575
Depreciation and amortization	**10,514**	9,691	8,893	7,747	7,354
Earnings before interest and taxes	**47,930**	37,696	17,722	18,873	5,889
Pretax earnings (loss)	**41,943**	31,085	8,860	10,132	(3,756)
Earnings (loss) before discontinued operations and extraordinary loss	**25,922**	54,923	8,820	10,554	(3,781)
Discontinued operations	**0**	450	0	(150)	13,852
Loss on early retirement of debt (net of tax)	**0**	2,245	169	0	0
Net earnings	**$ 25,922**	$ 53,128	$ 8,651	$ 10,404	$ 10,071
PER COMMON SHARE DATA					
Earnings (loss) before discontinued operations and extraordinary loss					
Basic	**$ 1.14**	$ 2.15	$ .33	$ .42	$ (.17)
Diluted	**1.05**	1.89	.32	.40	(.17)
Discontinued operations					
Basic	**.00**	.02	.00	(.01)	.57
Diluted	**.00**	.01	.00	(.01)	.57
Extraordinary loss					
Basic	**.00**	(.10)	.00	.00	.00
Diluted	**.00**	(.07)	(.01)	.00	.00
Net earnings					
Basic	**1.14**	2.07	.33	.41	.40
Diluted	**1.05**	1.83	.31	.39	.40
BALANCE SHEET DATA					
Total assets	**$301,165**	$307,198	$246,817	$221,654	$197,806
Long-term debt	**103,500**	103,500	75,000	75,000	75,000
Capital leases	**34**	36	279	1,485	2,697
Non-redeemable preferred stock	**7,882**	7,918	7,945	7,944	7,958
Common shareholders' equity	**100,360**	108,661	64,019	45,846	25,947
Additions to plant, equipment and capital leases	**22,312**	23,512	24,725	14,640	8,564
FINANCIAL STATISTICS					
Earnings before interest and taxes as a percent of net sales	**8.4%**	6.9%	3.3%	4.1%	1.4%
Book value per share	**$ 4.73**	$ 4.56	$ 2.43	$ 1.82	$ 1.04
Working capital	**$138,007**	$155,778	$119,313	$108,795	$108,135
Current ratio	**2.8**	3.1	2.6	2.6	3.2
Percent long-term debt to total capitalization	**48.9%**	47.0%	51.1%	58.7%	69.6%
OTHER DATA (END OF YEAR)					
Number of retail outlets*	**679**	674	587	504	463
Number of employees	**4,250**	3,650	4,300	4,050	3,750

**Includes 78 Jarman Leased departments in Fiscal 1999 which were divested during the first quarter of Fiscal 2000 and 26 Boot Factory Stores in Fiscal 1998 and 29 Boot Factory Stores in Fiscal 1997 and 1996 which were divested during the second quarter of Fiscal 1999.*

Reflected in the earnings for Fiscal 1999 was a tax benefit of $23.8 million. See Note 12 to the Consolidated Financial Statements for additional information.

Reflected in the earnings for Fiscal 1999, 1998, 1997 and 1996 were restructuring and other charges of ($2.4) million, $17.7 million, $1.7 million and $15.1 million, respectively. See Note 2 to the Consolidated Financial Statements for additional information regarding these charges. Also reflected in the earnings for Fiscal 1997 was a $6.7 million litigation settlement.

Long-term debt and capital leases include current payments. On April 9, 1998, the Company issued $103.5 million of 5 1/2% convertible subordinated notes due 2005. The Company used $80 million of the proceeds to repay all of its 10 3/8% senior notes including interest and expenses incurred in connection therewith.

The Company has not paid dividends on its Common Stock since 1973. See Note 11 to the Consolidated Financial Statements for a description of limitations on the Company's ability to pay dividends.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Genesco Inc. and Consolidated Subsidiaries

The consolidated financial statements presented in this report are the responsibility of management and have been prepared in conformity with generally accepted accounting principles. Some of the amounts included in the financial information are necessarily based on estimates and judgements of management.

The Company maintains accounting and related internal control systems designed to provide, among other things, reasonable assurance that transactions are executed in accordance with management's authorization and that they are recorded and reported properly. An integral part of the control system is an internal audit program which regularly reviews the internal control systems of the Company and coordinates its activity with the examination by the Company's independent accountants. There are limitations inherent in all systems of internal control, and the Company weighs the cost of such systems against the expected benefits.

The financial statements have been examined by our independent accountants, PricewaterhouseCoopers. Their primary role is to render an independent professional opinion on the financial statements. Their examinations, which are performed in accordance with auditing standards generally accepted in the United States, include a study and evaluation of the Company's accounting systems and internal controls sufficient to express their opinion on those financial statements.

The audit committee of the board of directors, composed entirely of directors who are not employees of the Company, meets regularly with management, the internal auditor and the independent accountants to review the results of their work and to satisfy itself that their responsibilities are being properly discharged. The internal auditor and the independent accountants have full and free access to the audit committee and meet (with and without management present) to discuss appropriate matters.

James S. Gulmi
Senior Vice President – Finance
Chief Financial Officer

Paul D. Williams
Chief Accounting Officer

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

To the Board of Directors and Shareholders of Genesco Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Genesco Inc. and its subsidiaries at January 29, 2000 and January 30, 1999, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2000 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Nashville, Tennessee
February 22, 2000

CONSOLIDATED BALANCE SHEET

Genesco Inc. and Consolidated Subsidiaries

In thousands	As of Fiscal Year End 2000	1999
ASSETS		
Current Assets		
Cash and short-term investments	**$ 57,860**	$ 58,743
Accounts receivable	**23,617**	26,258
Inventories	**109,815**	117,213
Deferred income taxes	**14,826**	19,327
Other current assets	**8,881**	6,719
Total current assets	**214,999**	228,260
Plant, equipment and capital leases	**68,661**	58,387
Deferred income taxes	**4,184**	10,370
Other noncurrent assets	**13,321**	10,181
Total Assets	**$301,165**	$307,198
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 74,874**	$ 70,606
Provision for discontinued operations	**2,118**	1,876
Total current liabilities	**76,992**	72,482
Long-term debt	**103,500**	103,500
Other long-term liabilities	**6,368**	6,446
Provision for discontinued operations	**6,063**	8,191
Total liabilities	**192,923**	190,619
Contingent liabilities (see Note 16)		
Shareholders' Equity		
Non-redeemable preferred stock	**7,882**	7,918
Common shareholders' equity:		
Common stock, $1 par value:		
Authorized: 80,000,000 shares		
Issued: 2000 — 21,714,678; 1999 — 24,327,109	**21,715**	24,327
Additional paid-in capital	**94,784**	126,095
Retained earnings (accumulated deficit)	**1,718**	(23,904)
Accumulated other comprehensive income	**0**	0
Treasury shares, at cost	**(17,857)**	(17,857)
Total shareholders' equity	**108,242**	116,579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$301,165**	$307,198

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED EARNINGS

Genesco Inc. and Consolidated Subsidiaries

In thousands, except per share amounts	Fiscal Year **2000**	1999	1998
Net sales	**$573,720**	$549,748	$536,107
Cost of sales	**316,628**	305,366	312,534
Selling and administrative expenses	**209,162**	209,089	188,145
Restructuring and other charges, net	**0**	(2,403)	17,706
Earnings from operations before interest	**47,930**	37,696	17,722
Interest expense	**8,152**	9,250	10,174
Interest income	**(2,165)**	(2,639)	(1,312)
Total interest expense, net	**5,987**	6,611	8,862
Earnings before income taxes, discontinued operations and extraordinary loss	**41,943**	31,085	8,860
Income taxes (benefit)	**16,021**	(23,838)	40
Earnings before discontinued operations and extraordinary loss	**25,922**	54,923	8,820
Excess provision discontinued operations, net	**0**	450	0
Earnings before extraordinary loss	**25,922**	55,373	8,820
Extraordinary loss from early retirement of debt, net	**0**	(2,245)	(169)
NET EARNINGS	**$ 25,922**	$ 53,128	$ 8,651
Basic earnings per common share:			
Before discontinued operations and extraordinary loss	**$ 1.14**	$ 2.15	$ .33
Discontinued operations	**$ .00**	$ .02	$ .00
Extraordinary loss	**$ .00**	$ (.10)	$ .00
Net earnings	**$ 1.14**	$ 2.07	$ .33
Diluted earnings per common share:			
Before discontinued operations and extraordinary loss	**$ 1.05**	$ 1.89	$ .32
Discontinued operations	**$ .00**	$ .01	$ .00
Extraordinary loss	**$ .00**	$ (.07)	$ (.01)
Net earnings	**$ 1.05**	$ 1.83	$ .31

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED CASH FLOWS

Genesco Inc. and Consolidated Subsidiaries

			Fiscal Year
In thousands	**2000**	1999	1998
OPERATIONS:			
Net earnings	**$25,922**	$53,128	$ 8,651
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**10,514**	9,691	8,893
Deferred income taxes	**10,687**	(28,762)	(520)
Provision for losses on accounts receivable	**434**	447	969
Impairment of long-lived assets and other charges	**0**	0	831
Loss on retirement of debt	**0**	3,651	169
Restructuring charge (gain)	**0**	(2,403)	16,875
Excess loss on discontinued operations	**0**	(731)	0
Other	**1,690**	2,344	1,328
Effect on cash of changes in working capital and other assets and liabilities:			
Accounts receivable	**671**	(2,814)	3,935
Inventories	**(282)**	(12,284)	(22,487)
Other current assets	**(2,162)**	(913)	(1,437)
Accounts payable and accrued liabilities	**4,037**	(3,741)	8,753
Other assets and liabilities	**(5,785)**	(10,082)	912
Net cash provided by operating activities	**45,726**	7,531	26,872
INVESTING ACTIVITIES:			
Capital expenditures	**(22,312)**	(23,512)	(24,725)
Proceeds from businesses divested and asset sales	**10,069**	14,115	193
Net cash used in investing activities	**(12,243)**	(9,397)	(24,532)
FINANCING ACTIVITIES:			
Payments of long-term debt	**0**	(77,220)	0
Payments on capital leases	**(2)**	(243)	(1,206)
Stock repurchases	**(39,519)**	(12,232)	0
Long-term borrowings	**0**	103,500	0
Dividends paid	**(300)**	(1,502)	0
Exercise of options and related income tax benefits	**5,455**	4,056	3,874
Deferred note expense	**0**	(3,970)	0
Other	**0**	(1,056)	893
Net cash provided by (used in) financing activities	**(34,366)**	11,333	3,561
NET CASH FLOW	**(883)**	9,467	5,901
Cash and short-term investments at beginning of year	**58,743**	49,276	43,375
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	**$57,860**	$58,743	$49,276
SUPPLEMENTAL CASH FLOW INFORMATION:			
Net cash paid for:			
Interest	**$ 7,520**	$11,112	$ 9,594
Income taxes	**2,605**	23	375

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED SHAREHOLDERS' EQUITY

Genesco Inc. and Consolidated Subsidiaries

In thousands	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Comprehensive Income	Total Share-holders' Equity
Balance February 1, 1997	$7,944	$25,195	$122,615	$(17,857)	$(84,107)	$0		$ 53,790
Net earnings	0	0	0	0	8,651	0	8,651	8,651
Exercise of options	0	458	2,809	0	0	0	0	3,267
Issue shares — Employee Stock Purchase Plan	0	70	496	0	0	0	0	566
Issue shares — litigation settlement	0	525	6,175	0	0	0	0	6,700
Tax effect of exercise of stock options	0	0	42	0	0	0	0	42
Minimum pension liability adjustment	0	0	0	0	0	(1,150)	(1,150)	(1,150)
Other	1	16	81	0	0	0	0	98
Comprehensive Income							$ 7,501	
Balance January 31, 1998	$7,945	$26,264	$132,218	$(17,857)	$(75,456)	$(1,150)		$ 71,964
Net earnings	0	0	0	0	53,128	0	53,128	53,128
Dividends paid	0	0	0	0	(1,576)	0	0	(1,576)
Exercise of options	0	230	845	0	0	0	0	1,075
Issue shares — restricted stock options	0	67	533	0	0	0	0	600
Issue shares — Employee Stock Purchase Plan	0	107	387	0	0	0	0	494
Tax effect of exercise of stock options	0	0	1,887	0	0	0	0	1,887
Stock repurchases	0	(2,343)	(9,889)	0	0	0	0	(12,232)
Minimum pension liability adjustment	0	0	0	0	0	1,150	1,150	1,150
Other	(27)	2	114	0	0	0	0	89
Comprehensive Income							$54,278	
Balance January 30, 1999	$7,918	$24,327	$126,095	$(17,857)	$(23,904)	$ 0		$116,579
Net earnings	0	0	0	0	25,922	0	25,922	25,922
Dividends paid	0	0	0	0	(300)	0	0	(300)
Exercise of options	0	693	2,796	0	0	0	0	3,489
Issue shares — Employee Stock Purchase Plan	0	122	417	0	0	0	0	539
Tax effect of exercise of stock options	0	0	1,427	0	0	0	0	1,427
Stock repurchases	0	(3,439)	(36,080)	0	0	0	0	(39,519)
Other	(36)	12	129	0	0	0	0	105
Comprehensive Income							$25,922	
BALANCE JANUARY 29, 2000	**$7,882**	**$21,715**	**$ 94,784**	**$(17,857)**	**$ 1,718**	**$ 0**		**$108,242**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company's businesses include the manufacture or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy, Dockers and Nautica* brands, the tanning and distribution of leather by the Volunteer Leather division and the operation at January 29, 2000 of 679 *Jarman, Journeys, Johnston & Murphy, Underground Station, Stone & Co. and Nautica* retail footwear stores and leased departments. Because of the acquisition of Mercantile by Dillards Inc., the Company ended its operation of the Jarman Leased departments in Fiscal 2000. The Company had 78 Jarman Leased departments at January 30, 1999. The Company transferred the remaining Jarman Leased departments to Dillards Inc. and Saks Inc. during the first quarter ended May 1, 1999. The Jarman Leased departments business contributed sales of approximately $1.2 million, $47.4 million and $52.3 million and operating earnings (loss) of $(0.3) million, $2.1 million and $4.1 million in Fiscal 2000, 1999 and 1998, respectively.

Basis of Presentation

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. As a result, Fiscal 2000, 1999 and 1998 were 52-week years and had 364 days. Fiscal Year 2000 ended on January 29, 2000, while Fiscal Years 1999 and 1998, ended on January 30, 1999 and January 31, 1998, respectively.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years' data to the current presentation.

Cash and Short-term Investments

Included in cash and short-term investments at January 29, 2000 and January 30, 1999, are short-term investments of $47.1 million and $53.5 million, respectively. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

Inventories

Inventories of wholesaling and manufacturing companies are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are determined by the retail method.

Plant, Equipment and Capital Leases

Plant, equipment and capital leases are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over estimated useful lives:

Buildings and building equipment	20-45 years
Machinery, furniture and fixtures	3-15 years

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms.

Impairment of Long-Term Assets

The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount.

Hedging Contracts

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments, the Company enters into foreign currency forward exchange contracts for Italian Lira and Euro. At January 29, 2000 and January 30, 1999, the Company had approximately $30.1 million and $21.2 million, respectively, of such contracts outstanding. Forward exchange contracts have an average term of approximately four months. The loss from these contracts for Fiscal 2000 was $2.5 million and the gain from these contracts for Fiscal 1999 was $0.2 million. The Company monitors the credit quality of the major national and regional financial institutions with whom it enters into such contracts.

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at January 29, 2000 and January 30, 1999 are:

Fair Values

In thousands	**2000**		1999	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Liabilities				
Long-term Debt	**$103,500**	**$77,801**	$103,500	$72,900

Carrying amounts reported on the balance sheet for cash, short-term investments, receivables and accounts payable approximate fair value due to the short-term maturity of these instruments.

The fair value of the Company's long-term debt was based on dealer prices on the respective balance sheet dates.

Postretirement Benefits

Substantially all full-time employees are covered by a defined benefit pension plan. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

The Company implemented Statement of Financial Accounting Standards (SFAS) 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" in the fourth quarter of Fiscal 1999. This statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer as useful. The Company has restated all prior period information (see Note 13).

Revenue Recognition

Retail sales are recorded net of actual returns, and exclude all taxes, while wholesale revenue is recorded net of estimated returns when the related goods have been shipped and legal title has passed to the customer.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred.

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were $19.1 million, $19.4 million and $14.4 million for Fiscal 2000, 1999 and 1998, respectively.

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock. (see Note 14).

Comprehensive Income

The Company implemented Statement of Financial Accounting Standards (SFAS) 130, "Reporting Comprehensive Income" in the first quarter of Fiscal 1999. This statement establishes standards for reporting and display of comprehensive income. SFAS 130 requires, among other things, the Company's minimum pension liability adjustment to be included in other comprehensive income. The adoption of this statement had no impact on the Company's net income or shareholders' equity for Fiscal years 2000, 1999 or 1998.

Business Segments

The Company implemented Statement of Financial Accounting Standards (SFAS) 131, "Disclosures about Segments of an Enterprise and Related Information" in the fourth quarter of Fiscal 1999. The standard requires that companies disclose "operating segments" based on the way management disaggregates the company for making internal operating decisions. (see Note 17).

NOTE 2
RESTRUCTURINGS

Workforce Reduction

In connection with the Boot Divestiture discussed below and the closing of the Jarman Leased departments, the Company reviewed the structure and level of staffing in all of its operations during the third and fourth quarters of Fiscal 1999. Upon completion of the review, the Company recorded a $1.3 million charge to earnings, included in selling and administrative expenses, during the fourth quarter of Fiscal 1999 for a workforce reduction of 66 positions, of which substantially all were eliminated by January 29, 2000. Twenty-six of the positions eliminated related to the Jarman Leased departments business, with the remainder being primarily employed at corporate headquarters.

Fiscal 1998 Restructuring

As a result of the continued weakness in the western boot market, the Company approved a plan in the fourth quarter of Fiscal 1998 to exit the western boot business (the "Boot Divestiture"). In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million in the fourth quarter of Fiscal 1998, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less estimated costs to sell. The charges related to the Boot Divestiture also included $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs. On June 12, 1998, the Company and Texas Boot, Inc. entered into an agreement providing for the purchase by Texas Boot, Inc. of most of the assets related to the western boot business, including the Company's 26 store Boot Factory retail chain, which the Company had not planned to include in the Boot Divestiture. The Company completed the divestiture on July 14, 1998. Net sales of the Company's western boot business were $16.6 million and $59.3 million for Fiscal 1999 and 1998, respectively, and the operating loss was $1.3 million and $2.6 million for Fiscal 1999 and 1998, respectively.

Net earnings for the second quarter ended August 1, 1998 reflect a restructuring gain of $2.4 million, primarily from the Boot Divestiture. The gain represents savings of expected employee-related costs and facility shutdown costs because the buyer continued to operate a manufacturing facility that the Company would have closed and retained certain employees whose positions the Company would have eliminated. The Company's actions relating to the Boot Divestiture directly resulted in the elimination of 622 jobs, including all positions related to the western boot business and the Boot Factory retail chain.

In addition to the charge related to the Boot Divestiture, the Company took a charge of $0.6 million during the fourth quarter of Fiscal 1998 to consolidate staff in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

During the second quarter of Fiscal 1998, the Company recorded a restructuring gain of $1.1 million and losses from an asset impairment and other charges of $0.8 million, resulting in a net gain of $0.3 million reported in the income statement. The restructuring gain relates to both the Manufacturing Restructuring discussed below and a restructuring plan adopted in the third quarter of Fiscal 1995 (the "1995 Restructuring"). It arose primarily from the sale of one facility and cancellation of leases on two facilities (including one facility included in the 1995 Restructuring) more quickly and on more favorable terms than contemplated when the reserves were established. The asset impairment and other charges during the second quarter of Fiscal 1998 arose from the decrease in production in one of the Company's western boot plants as a result of continued weakness in the western boot market. The asset impairment and other charges related to excess equipment, including $0.1 million of equipment covered by operating leases.

NOTE 3

ACCOUNTS RECEIVABLE

In thousands	2000	1999
Trade accounts receivable	$25,125	$23,106
Miscellaneous receivables	1,679	5,430
Total receivables	26,804	28,536
Allowance for bad debts	(926)	(1,075)
Other allowances	(2,261)	(1,203)
NET ACCOUNTS RECEIVABLE	**$23,617**	**$26,258**

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. One customer accounted for more than 12% of the Company's trade receivables balance as of January 29, 2000 and no other customer accounted for more than 10% of the Company's trade receivables balance as of January 29, 2000.

NOTE 4

INVENTORIES

In thousands	2000	1999
Raw materials	$ 3,098	$ 2,969
Work in process	2,146	2,077
Finished goods	31,513	33,949
Retail merchandise	73,058	78,218
TOTAL INVENTORIES	**$109,815**	$117,213

NOTE 5

PLANT, EQUIPMENT AND CAPITAL LEASES, NET

In thousands	2000	1999
Plant and equipment:		
Land	$ 302	$ 263
Buildings and building equipment	2,726	2,729
Machinery, furniture and fixtures	50,345	39,587
Construction in progress	7,116	8,819
Improvements to leased property	58,962	56,790
Capital leases:		
Buildings	305	200
Machinery, furniture and fixtures	0	4,026
Plant, equipment and capital leases, at cost	119,756	112,414
Accumulated depreciation and amortization:		
Plant and equipment	(50,794)	(49,993)
Capital leases	(301)	(4,034)
NET PLANT, EQUIPMENT AND CAPITAL LEASES	$ 68,661	$ 58,387

NOTE 6

OTHER NONCURRENT ASSETS

In thousands	2000	1999
Other noncurrent assets:		
Prepaid pension cost	$ 8,554	$ 4,728
Investments and long-term receivables	1,761	1,841
Deferred note expense	3,006	3,612
TOTAL OTHER NONCURRENT ASSETS	$13,321	$10,181

NOTE 7

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In thousands	2000	1999
Trade accounts payable	$32,957	$ 33,305
Accrued liabilities:		
Employee compensation	14,222	12,218
Taxes other than income taxes	5,635	4,665
Rent	4,476	3,574
Income taxes	3,621	2,325
Interest	1,832	1,778
Insurance	1,756	2,121
Other	10,375	10,620
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$74,874	$ 70,606

At January 29, 2000 and January 30, 1999, outstanding checks drawn on certain domestic banks exceeded book cash balances by approximately $7.8 million and $7.2 million, respectively. These amounts are included in trade accounts payable.

NOTE 8
PROVISION FOR DISCONTINUED OPERATIONS AND RESTRUCTURING RESERVES

Provision for Discontinued Operations

In thousands	Employee Related Costs*	Other	Total
Balance January 30, 1999	$9,693	$374	$10,067
Charges and adjustments, net	(1,512)	(374)	(1,886)
Balance January 29, 2000	8,181	0	8,181
Current portion	2,118	0	2,118
TOTAL NONCURRENT PROVISION FOR DISCONTINUED OPERATIONS	$6,063	$ 0	$ 6,063

**Union pension withdrawal liability.*

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance January 30, 1999	$268	$955	$985	$2,208
Charges and adjustments, net	(204)	(519)	(458)	(1,181)
Balance January 29, 2000	64	436	527	1,027
Current portion (included in accounts payable and accrued liabilities)	64	352	527	943
TOTAL NONCURRENT RESTRUCTURING RESERVES (INCLUDED IN OTHER LONG-TERM LIABILITIES)	$ 0	$ 84	$ 0	$ 84

NOTE 9
LONG-TERM DEBT

In thousands	2000	1999
5½% convertible subordinated notes due April 2005	**$103,500**	$103,500
Total long-term debt	**103,500**	103,500
Current portion	**0**	0
TOTAL NONCURRENT PORTION OF LONG-TERM DEBT	**$103,500**	$103,500

Revolving Credit Agreement:

On September 24, 1997, the Company entered into a revolving credit agreement with three banks providing for loans or letters of credit of up to $65 million which, as amended, expires September 24, 2002. This agreement replaced a $35 million revolving credit agreement providing for loans or letters of credit. The replacement of the $35 million revolving credit agreement resulted in an extraordinary loss of $169,000, recognized in the third quarter of Fiscal 1998. Outstanding letters of credit at January 29, 2000 were $9.8 million; no loans were outstanding at that date.

Under the revolving credit agreement, the Company may borrow at the prime rate or LIBOR plus 1.25% which may be changed if the Company's pricing ratio (as defined in the credit agreement) changes. Facility fees are 0.375% per annum on $65.0 million and also varies based on the pricing ratio. The revolving credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and debt to equity ratios. The Company is required by the credit agreement to reduce the outstanding principal balance of the revolving loans

to zero for 30 consecutive days during each period beginning on December 15 of any fiscal year and ending on April 15 of the following fiscal year. The revolving credit agreement, as amended, contains other covenants which restrict the payment of dividends and other payments with respect to capital stock. In addition, annual capital expenditures are limited to $30.0 million for Fiscal 1998 and thereafter, subject to possible carryforwards from the previous year of up to $3.0 million if less is spent in the current year. The Company was in compliance with the financial covenants contained in the revolving credit agreement at January 29, 2000.

10¾% Senior Notes due 2003:

On February 1, 1993, the Company issued $75 million of 10 3/8% senior notes due February 1, 2003. These notes were redeemed on May 8, 1998, resulting in a $3.7 million extraordinary loss ($2.2 million net of tax) for early retirement of debt recognized in the second quarter of Fiscal 1999.

5½% Convertible Subordinated Notes due 2005:

On April 9, 1998, the Company issued $103.5 million of 5 1/2% convertible subordinated notes due April 15, 2005. The notes are convertible into 47.5172 shares of common stock per $1,000 principal amount of Notes (equivalent to a conversion price of $21.045 per share of common stock), subject to adjustment. During the second quarter of Fiscal 1999 the Company used: 1) $79.9 million of the proceeds to repay all of the Company's 10 3/8% senior notes including interest and expenses incurred in connection therewith, resulting in an extraordinary loss of $3.7 million ($2.2 million net of tax), 2) $1.3 million of the proceeds to pay preferred dividends in arrears because of certain covenants in the indenture relating to the senior notes, and 3) the remaining proceeds for general corporate purposes.

The indenture pursuant to which the convertible subordinated notes were issued does not restrict the incurrence of Senior Debt by the Company or other indebtedness or liabilities by the Company or any of its subsidiaries.

NOTE 10
COMMITMENTS UNDER LONG-TERM LEASES

Operating Leases

Rental expense under operating leases of continuing operations was:

In thousands	**2000**	1999	1998
Minimum rentals	**$34,814**	$30,121	$23,398
Contingent rentals	**3,517**	10,598	11,611
Sublease rentals	**(1,039)**	(993)	(1,039)
TOTAL RENTAL EXPENSE	**$37,292**	$39,726	$33,970

Minimum rental commitments payable in future years are:

Fiscal Years	*In Thousands*
2001	$ 37,084
2002	35,752
2003	33,796
2004	31,205
2005	30,397
Later years	107,297
TOTAL MINIMUM RENTAL COMMITMENTS	$275,531

Most leases provide for the Company to pay real estate taxes and other expenses and contingent rentals based on sales. Approximately 6% of the Company's leases contain renewal options.

NOTE 11
SHAREHOLDERS' EQUITY

Non-Redeemable Preferred Stock

Class (In order of preference)	Shares Authorized	Number of Shares			Amounts in Thousands			Common Convertible Ratio	No. of Votes
		2000	1999	1998	**2000**	1999	1998		
Subordinated Serial Preferred (Cumulative)									
$2.30 Series 1	64,368	**37,116**	37,128	37,128	**$1,484**	$1,485	$1,485	.83	1
$4.75 Series 3	40,449	**19,369**	19,369	19,369	**1,937**	1,937	1,937	2.11	2
$4.75 Series 4	53,764	**16,412**	16,412	16,412	**1,641**	1,641	1,641	1.52	1
Series 6	400,000	**0**	0	0	**0**	0	0		100
$1.50 Subordinated Cumulative Preferred	5,000,000	**30,017**	30,017	30,017	**901**	901	901		
		102,914	102,926	102,926	**5,963**	5,964	5,964		
Employees' Subordinated Convertible Preferred	5,000,000	**72,066**	73,696	80,313	**2,162**	2,211	2,409	1.00*	1
Stated Value of Issued Shares					**8,125**	8,175	8,373		
Employees' Preferred Stock Purchase Accounts					**(243)**	(257)	(428)		
TOTAL NON-REDEEMABLE PREFERRED STOCK					**$7,882**	$7,918	$7,945		

**Also convertible into one share of $1.50 Subordinated Cumulative Preferred Stock.*

Preferred Stock Transactions

In thousands	Non-Redeemable Preferred Stock	Non-Redeemable Employees' Preferred Stock	Employees' Preferred Stock Purchase Accounts	Total Non-Redeemable Preferred Stock
Balance February 1, 1997	$5,974	$2,409	$(439)	$7,944
Other	(10)	0	11	1
Balance January 31, 1998	5,964	2,409	(428)	7,945
Other	0	(198)	171	(27)
Balance January 30, 1999	5,964	2,211	(257)	7,918
Other	(1)	(49)	14	(36)
BALANCE JANUARY 29, 2000	**$5,963**	**$2,162**	**$(243)**	**$7,882**

Subordinated Serial Preferred Stock (Cumulative):

Stated and redemption values for Series 1 are $40 per share and for Series 3 and 4 are each $100 per share; liquidation value for Series 1—$40 per share plus accumulated dividends and for Series 3 and 4—$100 per share plus accumulated dividends.

The Company's shareholders' rights plan grants to common shareholders the right to purchase, at a specified exercise price, a fraction of a share of subordinated serial preferred stock, Series 6, in the event of an acquisition of, or an announced tender offer for, 10% or more of the Company's outstanding common stock. Upon any such event, each right also entitles the holder (other than the person making such acquisition or tender offer) to purchase, at the exercise price, shares of common stock having a market value of twice the exercise price. In the event the Company is acquired in a transaction in which the Company is not the surviving corporation, each right would entitle its holder to purchase, at the exercise price, shares of the acquiring company having a market value of twice the exercise price. The rights expire in September 2000, are redeemable under certain circumstances for $.01 per right and are subject to exchange for one share of common stock or an equivalent amount of preferred stock at any time after the event which makes the rights exercisable and before a majority of the Company's common stock is acquired.

$1.50 Subordinated Cumulative Preferred Stock:

Stated and liquidation values and redemption price—$30 per share.

Employees' Subordinated Convertible Preferred Stock:

Stated and liquidation values—$30 per share.

Common Stock:

Common stock-$1 par value. Authorized: 80,000,000 shares; issued: January 29, 2000 - 21,714,678 shares; January 30, 1999 - 24,327,109 shares. There were 488,464 shares held in treasury at January 29, 2000 and January 30, 1999 not considering the shares repurchased in Fiscal 2000 and 1999. Each outstanding share is entitled to one vote. At January 29, 2000, common shares were reserved as follows: 168,637 shares for conversion of preferred stock; 547,263 shares for the 1987 Stock Option Plan; 2,039,690 shares for the 1996 Stock Option Plan; 97,639 shares for the Restricted Stock Plan for Directors; and 457,699 shares for the Genesco Employee Stock Purchase Plan.

For the year ended January 29, 2000, 815,084 shares of common stock were issued for the exercise of stock options and 11,785 shares were issued as part of the Directors Restricted Stock Plan. In addition, the Company repurchased 3,439,300 shares of common stock. An additional 1,017,900 shares may be repurchased under stock buy back programs announced in August 1998, January 1999 and February 2000.

For the year ended January 30, 1999, 403,343 shares of common stock were issued for the exercise of stock options and 2,457 shares were issued as part of the Directors Restricted Stock Plan. In addition, the Company repurchased 2,342,800 shares of common stock.

For the year ended January 31, 1998, 527,906 shares of common stock were issued for the exercise of stock options and 16,204 shares were issued as part of the Directors Restricted Stock Plan. In addition, 525,495 shares were issued in connection with a $6.7 million litigation settlement reflected in the Fiscal 1997 income statement.

Restrictions on Dividends and Redemptions of Capital Stock:

The Company's charter provides that no dividends may be paid and no shares of capital stock acquired for value if there are dividend or redemption arrearages on any senior or equally ranked stock. Exchanges of subordinated serial preferred stock for common stock or other stock junior to such exchanged stock are permitted.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to capital stock. At January 29, 2000, $30.1 million was available for such payments.

The April 9, 1998 indenture, under which the Company's 5 1/2% convertible subordinated notes due 2005 were issued, does not restrict the payment of dividends.

Dividends declared for Fiscal 2000 for the Company's Subordinated Serial Preferred Stock, $2.30 Series 1, $4.75 Series 3 and $4.75 Series 4, and the Company's $1.50 Subordinated Cumulative Preferred Stock were $300,000.

Changes in the Shares of the Company's Capital Stock

	Common Stock	Non-Redeemable Preferred Stock	Employees' Preferred Stock
Issued at February 1, 1997	25,194,504	103,021	80,313
Exercise of options	457,848	0	0
Issue shares — Employee Stock Purchase Plan	70,058	0	0
Issue shares — Litigation Settlement	525,495	0	0
Other	16,204	(95)	0
Issued at January 31, 1998	26,264,109	102,926	80,313
Exercise of options	296,543	0	0
Issue shares — Employee Stock Purchase Plan	106,800	0	0
Stock Repurchase	(2,342,800)	0	0
Other	2,457	0	(6,617)
Issued at January 30, 1999	24,327,109	102,926	73,696
Exercise of options	692,722	0	0
Issue shares — Employee Stock Purchase Plan	122,362	0	0
Stock Repurchase	(3,439,300)	0	0
Other	11,785	(12)	(1,630)
Issued at January 29, 2000	21,714,678	102,914	72,066
Less treasury shares	488,464	0	0
OUTSTANDING AT JANUARY 29, 2000	**21,226,214**	**102,914**	**72,066**

NOTE 12
INCOME TAXES

Income tax expense (benefit) from continuing operations is comprised of the following:

In thousands	**2000**	1999	1998
Current			
U.S. federal	**$ 3,534**	$ 1,789	$505
Foreign	**615**	76	55
State	**638**	47	0
Deferred			
U.S. federal	**10,224**	(22,335)	(505)
Foreign	**77**	(237)	(15)
State	**933**	(3,178)	0
TOTAL INCOME TAX EXPENSE (BENEFIT)	**$16,021**	$(23,838)	$ 40

Deferred tax assets and liabilities are comprised of the following:

In thousands	**January 29, 2000**	January 30, 1999
Pensions	**$ (3,681)**	$ (1,896)
Gross deferred tax liabilities	**(3,681)**	(1,896)
Net operating loss carryforwards	**0**	7,715
Net capital loss carryforwards	**7,726**	7,826
Provisions for discontinued operations and restructurings	**4,202**	5,073
Inventory valuation	**2,068**	2,090
Expense accruals	**5,885**	5,116
Allowances for bad debts and notes	**907**	703
Uniform capitalization costs	**2,374**	2,131
Depreciation	**3,142**	4,355
Other	**2,095**	2,106
Tax credit carryforwards	**2,377**	2,743
Gross deferred tax assets	**30,776**	39,858
Deferred tax asset valuation allowance	**(8,085)**	(8,265)
NET DEFERRED TAX ASSETS	**$ 19,010**	$ 29,697

The Company has capital loss carryforwards available to offset future U.S. capital gains of approximately $20 million expiring in 2001.

The Company establishes valuation allowances in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes." The Company continually reviews the adequacy of the valuation allowance and is recognizing these benefits only as the Company believes that it is more likely than not that the benefits will be realized.

The Company previously limited the recognition of deferred tax assets to an amount no greater than the amount of tax refunds the Company could claim as loss carrybacks. In the fourth quarter of Fiscal 1999, due to increased levels of profitability, future income projections and the substantial removal of uncertainties surrounding the Company's divestitures, the valuation allowance was reduced by a net $40.0 million resulting in a net tax benefit of $23.8 million. The Company's remaining valuation allowance relates primarily to net capital loss carryforwards which can only be used to offset capital gains.

Reconciliation of the United States federal statutory rate to the Company's effective tax rate is as follows:

	2000	1999	1998
U. S. federal statutory rate of tax	**35.00%**	34.00%	34.00%
State taxes (net of federal tax benefit)	**3.97**	4.50	4.50
Release of deferred tax valuation allowance	**(.43)**	(115.38)	(38.50)
Other	**(.34)**	.19	0
EFFECTIVE TAX RATE	**38.20%**	(76.69%)	0

NOTE 13
RETIREMENT AND OTHER BENEFIT PLANS

The Company sponsors a non-contributory, defined benefit pension plan. Effective January 1, 1996, the Company amended the plan to change the pension benefit formula to a cash balance formula from the existing benefit calculation based upon years of service and final average pay. The benefits accrued under the old formula were frozen as of December 31, 1995. Upon retirement, the participant will receive this accrued benefit payable as an annuity. In addition, the participant will receive as a lump sum (or annuity if desired) the amount credited to their cash balance account under the new formula.

Under the amended plan, beginning January 1, 1996, the Company credits each participants' account annually with an amount equal to 4% of the participant's compensation plus 4% of the participant's compensation in excess of the Social Security taxable wage base. Beginning December 31, 1996 and annually thereafter, the account balance of each active participant will be credited with 7% interest calculated on the sum of the balance as of the beginning of the plan year and 50% of the amounts credited to the account, other than interest, for the plan year. The account balance of each participant who is inactive will be credited with interest at the lesser of 7% or the 30 year Treasury interest rate.

The Company provides health care benefits for early retirees and life insurance benefits for certain retirees not covered by collective bargaining agreements. Under the health care plan, early retirees are eligible for limited benefits until age 65. Employees who meet certain requirements are eligible for life insurance benefits upon retirement. The Company accrues such benefits during the period in which the employee renders service.

Assets and Obligations

The following table sets forth the change in benefit obligation for the respective fiscal year:

	Pension Benefits		Other Benefits	
In thousands	**2000**	1999	**2000**	1999
Benefit obligation at beginning of year	**$98,263**	$97,530	**$2,775**	$2,653
Service cost	**1,893**	1,575	**71**	84
Interest cost	**6,509**	6,460	**122**	180
Plan participants' contributions	**0**	0	**126**	116
Benefits paid	**(7,574)**	(8,088)	**(375)**	(304)
Actuarial (gain) or loss	**(11,218)**	786	**(888)**	46
BENEFIT OBLIGATION AT END OF YEAR	**$87,873**	$98,263	**$1,831**	$2,775

The following table sets forth the change in plan assets for the respective fiscal year:

	Pension Benefits		Other Benefits	
In thousands	**2000**	1999	**2000**	1999
Fair value of plan assets at beginning of year	**$ 92,190**	$84,848	**$ 0**	$ 0
Actual return on plan assets	**10,158**	7,209	**0**	0
Employer contributions	**5,504**	8,221	**249**	188
Plan participants' contributions	**0**	0	**126**	116
Benefits paid	**(7,574)**	(8,088)	**(375)**	(304)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$100,278**	$92,190	**$ 0**	$ 0

At January 29, 2000 and January 30, 1999, there were no Company related assets in the plan. The pension plan assets are invested primarily in common stocks, mutual funds, domestic bond funds and cash equivalent securities.

The following table sets forth the funded status of the plans for the respective fiscal year:

	Pension Benefits		Other Benefits	
In thousands	**2000**	1999	**2000**	1999
Accumulated benefit obligation	**$(84,257)**	$(92,166)	**$(1,831)**	$(2,775)
Future pay increases	**(3,616)**	(6,097)	**0**	0
Projected benefit obligation	**(87,873)**	(98,263)	**(1,831)**	(2,775)
Assets	**100,278**	92,190	**0**	0
Over (under) funded projected benefit obligation	**12,405**	(6,073)	**(1,831)**	(2,775)
Transition obligation	**1,649**	2,474	**0**	0
Prior service cost	**(1,072)**	(1,195)	**0**	0
Cumulative net (gains)/losses	**(4,428)**	9,522	**(288)**	628
(ACCRUED BENEFIT LIABILITY)/PREPAID BENEFIT COST	**$ 8,554**	$ 4,728	**$(2,119)**	$(2,147)

The amounts recognized in the balance sheet consist of:

	Pension Benefits		Other Benefits	
In thousands	**2000**	1999	**2000**	1999
Prepaid benefit cost	**$8,554**	$4,728	**$ 0**	$ 0
Accrued benefit liability	**0**	0	**(2,119)**	(2,147)
Intangible asset	**0**	0	**0**	0
Accumulated other comprehensive income	**0**	0	**0**	0
NET AMOUNT RECOGNIZED ON BALANCE SHEET	**$8,554**	$4,728	**$(2,119)**	$(2,147)

Assumptions

	Pension Benefits		Other Benefits	
In thousands	**2000**	1999	**2000**	1999
Discount rate	**8.00%**	6.75%	**8.00%**	6.75%
Expected return on plan assets	**9.50%**	9.50%	**—**	—
Rate of compensation increase	**5.00%**	5.00%	**—**	—

The weighted average discount rate used to measure the benefit obligation for the pension plan increased from 6.75% to 8.00% from Fiscal 1999 to Fiscal 2000. The increase in the rate decreased the accumulated benefit obligation by $11.3 million and decreased the projected benefit obligation by $12.4 million. The weighted average discount rate used to measure the benefit obligation for the pension plan decreased from 7.00% to 6.75% from Fiscal 1998 to Fiscal 1999. The decrease in the rate increased the accumulated benefit obligation by $2.5 million and increased the projected benefit obligation by $2.8 million.

For measurement purposes, an 8.00% increase in the health care cost trend rate was used for Fiscal 2000. The trend rate is assumed to decrease gradually to 5.00% by Fiscal 2013. The effect on disclosure information of one percentage point change in the assumed health care cost trend rate for each future year is shown below.

In thousands	1% Decrease in Rates	1% Increase in Rates
Aggregated service and interest cost	$ (20)	$ 24
Accumulated postretirement benefit obligation	$(110)	$127

Pension Expense

	Pension Benefits			Other Benefits		
In thousands	**2000**	1999	1998	**2000**	1999	1998
Service cost	**$1,893**	$1,575	$1,476	**$ 71**	$ 84	$ 79
Interest cost	**6,509**	6,460	6,644	**122**	180	180
Expected return on plan assets	**(7,900)**	(7,171)	(6,591)	**0**	0	0
Amortization:						
Transition obligation	**825**	825	983	**0**	0	0
Prior service cost	**(123)**	(123)	(146)	**0**	0	0
Losses	**473**	476	690	**28**	62	62
Net amortization	**1,175**	1,178	1,527	**28**	62	62
Curtailment Loss	**0**	0	379	**0**	0	0
NET PERIODIC BENEFIT COST	**$1,677**	$2,042	$3,435	**$221**	$326	$321

Section 401(k) Savings Plan

The Company has a Section 401(k) Savings Plan available to employees who have completed one full year of service and are age 21 or older.

Concurrent with the January 1, 1996 amendment to the pension plan (discussed previously), the Company amended the 401(k) savings plan to make matching contributions equal to 50% of each employee's contribution of up to 5% of salary. Matching funds vest after five years of service with the Company. Years of service earned prior to the adoption of this change contribute toward the vesting requirement. The contribution expense to the Company for the matching program was approximately $1.0 million for Fiscal 2000, 1999 and 1998.

NOTE 14
EARNINGS PER SHARE

In thousands, except per share amounts

	For the Year Ended Jan. 29, 2000			For the Year Ended Jan. 30, 1999			For the Year Ended Jan. 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings before discontinued operations and extraordinary loss	$25,922			$54,923			$8,820		
Less: Preferred stock dividends	(300)			(300)			(300)		
BASIC EPS									
Income available to common shareholders	25,622	22,392	$1.14	54,623	25,461	$2.15	8,520	25,464	$.33
EFFECT OF DILUTIVE SECURITIES									
Options		644			1,042			1,393	
5½% convertible subordinated notes	3,787	4,918		3,124	3,969		0	0	
Contingent Options[1]		0			67			67	
Employees' Preferred Stock[2]		73			78			80	
DILUTED EPS									
Income available to common shareholders plus assumed conversions	$29,409	28,027	$1.05	$57,747	30,617	$1.89	$8,520	27,004	$.32

[1] These options are contingent upon service to the Company and the Company's common stock trading at various prices. See Note 15 to the Consolidated Financial Statements under "Restricted Stock Options."

[2] The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred is higher than basic earnings per share for the period. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,816, 40,869 and 24,946, respectively.

Options to purchase 343,500 shares of common stock at $13.19 per share, 123,000 shares of common stock at $12.75 per share, 28,000 shares of common stock at $13.69 per share and 10,000 shares of common stock at $13.06 per share were outstanding at the end of Fiscal 2000 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Options to purchase 284,000 shares of common stock at $11.00 per share, 157,250 shares of common stock at $12.75 per share and 250,000 shares of common stock at $6.06 per share were outstanding at the end of Fiscal 1999 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Options to purchase 194,500 shares of common stock at $12.75 per share and 51,954 shares of common stock at $12.38 per share were outstanding at the end of Fiscal 1998 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

The weighted shares outstanding reflects the effect of the stock buy back program of up to 5.8 million shares announced by the Company in FY 1999 and 2000. The Company has repurchased all but 17,900 shares as of January 29, 2000. The Company's Board of Directors authorized the repurchase of an additional 1.0 million shares in February 2000.

NOTE 15
STOCK OPTION PLANS

The Company's stock-based compensation plans, as of January 29, 2000, are described below. The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized other than for its restricted stock options. The compensation cost that has been charged against income for its restricted plans was $0.6 million, $1.1 million and $1.7 million for Fiscal 2000, 1999 and 1998, respectively. The compensation cost that has been charged against shareholders' equity for its directors' restricted stock plan was $105,000, $89,000 and $100,000 for Fiscal 2000, 1999 and 1998, respectively. Had compensation cost for all of the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by FAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		Fiscal Years		
In thousands, except per share amounts		**2000**	1999	1998
Net Income	As reported	**$25,922**	$53,128	$8,651
	Pro forma	**$24,839**	$52,464	$7,954
Diluted EPS	As reported	**$ 1.05**	$ 1.83	$ 0.31
	Pro forma	**$ 1.01**	$ 1.81	$ 0.28
Basic EPS	As reported	**$ 1.14**	$ 2.07	$ 0.33
	Pro forma	**$ 1.10**	$ 2.05	$ 0.30

Fixed Stock Option Plans

The Company has three fixed option plans. Under the 1987 Stock Option Plan, the Company may grant options to its management personnel for up to 2.2 million shares of common stock. Under the 1996 Stock Incentive Plan, the Company may grant options to its officers and other key employees of and consultants to the Company for up to 2.3 million shares of common stock, which excludes 100,000 shares reserved for issuance to outside directors. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options granted under both plans vest 25% at the end of each year with the exception of shares granted February 20, 1995 which vest 20% at the end of each year.

With regard to the 100,000 shares reserved for issuance to outside directors, an automatic grant of restricted stock will be given to outside directors on the date of the annual meeting of shareholders at which an outside director is first elected. The outside director restricted stock shall vest with respect to one-third of the shares each year as long as the director is still serving as a director. Once the shares have vested, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. There were 1,139 shares and 9,522 shares of restricted stock issued to directors for Fiscal 2000 and 1998, respectively. There were no shares issued in Fiscal 1999. An outside director may elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock shall be granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the Outside Director's ceasing to serve as a director or committee chairman during such fiscal year. Once the shares are earned, the director is restricted from selling, transferring, pledging or assigning the shares for an additional four years. There were 9,157 shares, 4,555 shares and 6,475 shares of Retainer Stock issued to directors for Fiscal 2000, 1999 and 1998, respectively. Annually on the date of the annual meeting of shareholders, each outside director shall receive the automatic grant of options to purchase 4,000 shares of common stock at an exercise price equal to the fair market value of the common stock on the date of grant. These stock options become exercisable six months after their respective dates of grant, and expire in ten years. There were 28,000 shares of stock options issued to directors for Fiscal 2000.

Under the 1996 Stock Incentive Plan, shares of restricted stock may be issued either alone, in addition to or in tandem with other awards granted under the Plan and/or cash awards made outside the Plan. To encourage stock ownership by key management employees, the Company instituted a program allowing the chief executive officer, eight other executive officers and two high-level operating division employees to elect to receive part or all of their target awards under the Fiscal 1998 plan in the form of nonqualified stock options. The Fiscal 1998 options were granted February 25, 1997. As of the grant date, the participants were permitted to elect to relinquish irrevocably all or a portion of the target award under the plan in exchange for a ten-year option to purchase shares of common stock at the closing price of the stock on the grant date. The option is to become exercisable one year from the date on which entitlement to the award under the plan for Fiscal 1998 is determined by the Company. Compensation cost charged against income for these options was $0.4 million for Fiscal 1998.

The third fixed option plan is the executive stock option plan which granted 200,000 shares to the chief executive officer at the end of Fiscal 1996. The exercise price of these shares is equal to the market price of the Company's stock on the date of grant, the maximum term is 10 years and options for 100,000 shares vested after six months and an additional 100,000 shares vested after one year. These 200,000 shares were exercised during Fiscal 2000.

The weighted-average fair value of each option granted in the fixed stock option plans described above is estimated on the date of grant using the Black-Scholes option-pricing model -average assumptions used for grants in Fiscal 2000, 1999 and 1998, respectively: expected volatility of 62, 62 and 45 percent; risk-free interest rates of 6.7, 5.0 and 6.1 percent; and expected lives of 7.6, seven and six years, respectively.

A summary of the status of the Company's fixed stock option plans as of January 29, 2000, January 30, 1999 and January 31, 1998 and changes during the years ended on those dates is presented below:

	2000		1999		1998	
Fixed Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**2,271,389**	**$ 5.76**	2,528,655	$ 5.88	2,616,171	$ 4.96
Granted	**387,500**	**13.23**	268,000	6.06	377,370	11.40
Exercised	**(591,711)**	**3.13**	(229,876)	4.21	(457,848)	5.23
Forfeited	**(149,188)**	**8.54**	(295,390)	8.29	(7,038)	2.62
Outstanding at end of year	**1,917,990**	**7.87**	2,271,389	5.76	2,528,655	5.88
Options exercisable at year-end	**1,238,989**		1,279,034		944,176	
Weighted-average fair value of options granted during the year	**$9.27**		$4.02		$6.48	

The following table summarizes information about fixed stock options outstanding at January 29, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 1/29/00	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 1/29/00	Weighted-Average Exercise Price
$ 1.875 — 2.75	**121,500**	4.9 years	$ 2.27	**115,500**	$ 2.28
3.375 — 5.00	**745,756**	3.1	4.51	**695,380**	4.48
5.50 — 7.75	**209,375**	8.3	6.06	**47,750**	6.07
9.00 — 12.75	**459,859**	6.0	11.17	**352,359**	10.93
13.00 — 14.00	**381,500**	9.7	13.22	**28,000**	13.69
$ 1.875 — 14.00	**1,917,990**	5.8	7.87	**1,238,989**	6.38

Restricted Stock Options

On January 10, 1997, 200,000 shares of restricted stock were granted to the chairman of the board under the 1996 Stock Incentive Plan. The stock price at the date of grant was $9 per share. The restrictions lapsed for one third of the shares (66,667 shares) on January 31, 1998 and the second one third of the shares on January 31, 1999. The restrictions would lapse for the last one third of the shares on January 31, 2000 if (1) the chairman remains on the board of the Company and serves as chairman or in such other capacity as the board may request through that date and (2) the Company's common stock trades at or above $15.00 per share for 20 consecutive trading days during Fiscal 2000. The chairman resigned in the fourth quarter of Fiscal 2000. The last one third of the shares were not issued since the above conditions were not met. There was compensation income of $0.5 million for these options in Fiscal 2000. Compensation cost charged against income for these options was $0.8 million and $1.3 million in Fiscal 1999 and 1998, respectively.

As of the beginning of the first quarter of Fiscal 1999, a three year long term incentive plan was approved for the president — CEO which covers Fiscal 1999 through Fiscal 2001. The incentive plan provides a maximum of 300,000 performance shares of stock to be awarded based on cumulative revenue growth, cumulative earnings before income taxes to sales ratio and cumulative assets to sales ratio. There were 34,344 shares issued in Fiscal 2000. Compensation cost charged against income for these options was $1.1 million and $0.4 million in Fiscal 2000 and 1999, respectively.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, the Company is authorized to issue up to 1.0 million shares of common stock to those full-time employees whose total annual base salary is less than $100,000. Under the terms of the Plan, employees can choose each year to have up to 15 percent of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85 percent of the closing market price of the stock on either the exercise date or the grant date, whichever is less. Under the Plan, the Company sold 122,362 shares, 106,800 shares and 70,058 shares to employees in Fiscal 2000, 1999 and 1998, respectively. Compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes model with the following assumptions for Fiscal 2000, 1999 and 1998, respectively: an expected life of 1 year for all years; expected volatility of 47, 82 and 34 percent; and risk-free interest rates of 6.1, 4.6 and 5.6 percent. The weighted-average fair value of those purchase rights granted in Fiscal 2000, 1999 and 1998 was $4.26, $2.47 and $3.78, respectively.

Stock Purchase Plans

Stock purchase accounts arising out of sales to employees prior to 1972 under certain employee stock purchase plans amounted to $250,000 and $264,000 at January 29, 2000 and January 30, 1999, respectively, and were secured at January 29, 2000, by 13,042 employees' preferred shares. Payments on stock purchase accounts under the stock purchase plans have been indefinitely deferred. No further sales under these plans are contemplated.

NOTE 16
LEGAL PROCEEDINGS

New York State Environmental Proceedings

The Company is a defendant in a civil action filed by the State of New York against the City of Gloversville, New York, and 33 other private defendants. The action arose out of the alleged disposal of certain hazardous material directly or indirectly into a municipal landfill and seeks recovery under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions and damage to natural resources. The environmental authorities have selected a plan of remediation for the site with a total estimated cost of approximately $12.0 million. The Company has filed an answer to the complaint denying liability and asserting numerous defenses. The Company, along with other defendants, and the State of New York are participating in non-binding mediation in an attempt to agree upon an allocation of the remediation costs. Because of uncertainties related to the ability or willingness of the other defendants to pay a portion of remediation costs, the availability of New York State funding to pay a portion of remediaton costs and insurance coverage available to the various defendants, the applicability of joint and several liability and the basis for contribution claims among the defendants, management is unable to predict the outcome of the action. However, management does not presently expect the action to have a material effect on the Company's financial condition or results of operations.

The Company has received notice from the New York State Department of Environmental Conservation (the "Department") that it deems remedial action to be necessary with respect to certain contaminants in the vicinity of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969, and that it considers the Company a potentially responsible party. In August 1997, the Department and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remediation measure with regard to the site, without admitting liability or accepting responsibility for any future remediation of the site. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing for a release from liability for property damage and for necessary access to the site, for payments totaling $400,000. The Company estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be in the range of $2.2 million to $2.6 million, including certain enhancements to the program recommended by the Company's environmental consultants in the fourth quarter of Fiscal 2000. The Company believes that it has adequately reserved for the costs of conducting the RIFS and implementing the interim remedial measure contemplated by the consent order, but there is no assurance that the consent order will ultimately resolve the matter. The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict whether its liability, if any, beyond that voluntarily assumed by the consent order will have a material effect on its financial condition or results of operations.

Whitehall Environmental Sampling

Pursuant to a work plan approved by the Michigan Department of Environmental Quality ("MDEQ") the Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's Volunteer Leather Company facility in Whitehall, Michigan. On June 29, 1999, the Company submitted a final remedial action plan (the "Plan") for the site to MDEQ. The Plan proposes no direct remedial action with respect to soils at the site, which are in compliance with applicable regulatory standards, or lake sediments, which the Company believes do not pose a threat to human health or the environment and do not violate any applicable regulatory standard. The Plan includes the filing of certain restrictive covenants encumbering the tannery property to prevent activities disturbing the lake sediments and uses of the property inconsistent with the applicable regulatory standards. The Company, with the approval of MDEQ, previously installed horizontal wells to capture groundwater from a portion of the site and treat it by air sparging. The Plan proposes continued operation of this system for an indefinite period and monitoring of groundwater samples to ensure that the system is functioning as intended. The Plan is subject to MDEQ approval. In December 1999, MDEQ responded to the Plan with a request for further information.

On June 30, 1999, the City of Whitehall filed an action against the Company in the circuit court for the City of Muskegon alleging that the Company's and its predecessors' past wastewater management practices have adversely affected the environment, and seeking injunctive relief under Parts 17 and 201 of the Michigan Natural Resources Environmental Protection Act ("MNREPA") to require the Company to correct the alleged pollution. Further, the City alleges violations of City ordinances prohibiting blight and litter, and that the Whitehall Volunteer Leather plant constitutes a public nuisance. The Company filed an answer denying the material allegations of the complaint and asserting affirmative defenses and counterclaims against the City. The Company also moved to join the State of Michigan as a party to the action, since it has primary responsibility for administration of the environmental statutes underlying most of the City's claims. The State moved to dismiss the Company's action against it and to intervene in the case on a limited basis, seeking declaratory and injunctive relief regarding the restrictive covenants on the property, the States' jurisdiction under MNREPA Part 201 and its right of access to the property.

If the proposed Plan is approved and the litigation's outcome does not require additional remediation of the site, the Company does not expect remediation to have a material impact on its financial condition or results of operations. However, there can be no assurance that the Plan will be approved as submitted, and the Company is unable to predict whether any further remediation that may ultimately be required will have a material effect on its financial condition or results of operations.

Whitehall Accident

On June 4, 1999, a truck driver working under contact with a carrier for a chemical vendor died after inhaling a toxic vapor produced when he deposited a chemical compound that he was delivering to the Company's Whitehall, Michigan leather tannery into a tank containing another chemical solution. Regulatory authorities, including the National Transportation Safety Board and the Michigan Occupational Safety and Health Administration, are investigating the incident. The Michigan agency has issued six citations alleging regulatory infractions identified in the course of a general compliance review following the accident. Proposed monetary penalties associated with the citations total $15,100. The Company is contesting the citations. On March 14, 2000, the estate of the deceased truck driver brought an action against the Company in Michigan State court alleging that the Company's negligent acts and omissions caused his death and seeking unspecified damages. The Company is currently unable to predict the extent of its liability, if any, in connection with the accident and how liability, if found, would be allocated among other potential defendants, including the chemical vendor and the common carrier, and whether such liability, if any, would have a material effect on its financial condition or results of operations. The Company's insurance carrier is defending the Company in the action, subject to a standard reservation of rights to deny coverage.

Threatened Indemnity Claim

The Company has been advised by the purchaser of an adhesives manufacturing business formerly owned by the Company that the purchaser may be subject to an indemnification claim by a subsequent acquirer of the business. The subsequent acquirer has been named as a third-party defendant in a suit brought under CERCLA relating to an Alabama solvent recycling facility allegedly used by the business. According to the purchaser, it would in turn seek indemnification from the Company against any portion of its liability arising out of the Company's operation of the business prior to the purchaser's 1986 acquisition of it. The Company believes that a release obtained from the purchaser in connection with the settlement of an earlier disputed claim would bar any claim against the Company by the purchaser relating to the present matter. Therefore, the Company does not currently expect this threatened claim to have a material adverse effect on its financial condition or results of operations. While there can be no assurance that claims by other parties arising out of the Alabama facility will not be asserted, no such claim has yet been asserted.

NOTE 17
BUSINESS SEGMENT INFORMATION

The Company has seven reportable segments (not including corporate): Journeys; Jarman, comprised of the Jarman, Underground Station and Stone & Co. retail footwear chains; Johnston & Murphy, comprised of Johnston & Murphy retail stores and wholesale distribution; Licensed Brands, comprised of Dockers and Nautica Footwear; Other Retail, comprised of General Shoe Warehouse and the Jarman Leased departments, both of which were closed in FY 2000; Leather and Western Boots which was divested in Fiscal 1999. All the Company's segments, except Leather, sell footwear products at either retail or wholesale. The Leather segment is comprised of Volunteer Leather, a leather tanning and finishing company which sells primarily to military boot manufacturers and other customers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are based on the way management organizes the segments in order to make operating decisions and assess performance along types of products sold. Journeys and Jarman sells primarily branded products from other companies while Johnston & Murphy and Licensed Brands sells primarily the Company's owned and licensed brands.

Corporate assets include cash, deferred income taxes, prepaid pension cost and deferred note expense. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, restructuring gains and losses, interest expense, interest income, and other charges. Other includes severance, litigation and environmental charges.

Fiscal 2000	Journeys	Jarman	Other Retail	Johnston & Murphy	Licensed Brands	Leather	Corporate	Consolidated
Sales	$215,318	$86,897	$8,840	$166,703	$78,422	$24,114	$ 0	$580,294
Intercompany sales	0	0	0	(363)	(4,300)	(1,911)	0	(6,574)
NET SALES TO EXTERNAL CUSTOMERS	215,318	86,897	8,840	166,340	74,122	22,203	0	573,720
Operating income (loss)	29,719	4,336	(500)	22,187	2,487	1,363	(10,868)	48,724
Interest expense	0	0	0	0	0	0	8,152	8,152
Interest income	0	0	0	0	0	0	2,165	2,165
Other	0	0	0	0	0	0	(794)	(794)
EARNINGS BEFORE INCOME TAXES	29,719	4,336	(500)	22,187	2,487	1,363	(17,649)	41,943
Total assets	65,256	23,910	992	61,693	28,678	9,670	110,966	301,165
Depreciation	3,382	1,724	155	2,763	213	460	1,817	10,514
Capital expenditures	12,338	2,600	99	3,604	89	47	3,535	22,312

Fiscal 1999	Journeys	Jarman	Other Retail	Johnston & Murphy	Licensed Brands	Leather	Western Boot	Corporate	Consolidated
Sales	$159,965	$83,315	$56,184	$148,715	$71,933	$21,470	$16,560	$ 0	$558,142
Intercompany sales	0	0	0	(1,281)	(4,577)	(2,536)	0	0	(8,394)
NET SALES TO EXTERNAL CUSTOMERS	159,965	83,315	56,184	147,434	67,356	18,934	16,560	0	549,748
Operating income (loss)	21,704	2,983	2,214	19,708	2,435	898	(1,309)	(11,007)	37,626
Restructuring (gain)/charge	0	0	0	0	0	0	0	(2,403)	(2,403)
Interest expense	0	0	0	0	0	0	0	9,250	9,250
Interest income	0	0	0	0	0	0	0	2,639	2,639
Other	0	0	0	0	0	0	0	(2,333)	(2,333)
EARNINGS BEFORE INCOME TAXES, DISCONTINUED OPERATIONS AND EXTRAORDINARY LOSS	21,704	2,983	2,214	19,708	2,435	898	(1,309)	(17,548)	31,085
Total assets	52,125	25,395	15,772	59,925	28,873	8,759	0	116,349	307,198
Depreciation	2,591	1,676	469	2,423	238	556	336	1,402	9,691
Capital expenditures	9,330	3,468	598	4,351	93	157	0	5,515	23,512

Fiscal 1998	Journeys	Jarman	Other Retail	Johnston & Murphy	Licensed Brands	Leather	Western Boot	Corporate	Consolidated
Sales	$120,775	$82,729	$60,621	$126,900	$62,292	$30,781	$59,371	$ 0	$543,469
Intercompany sales	0	0	0	(1,332)	(4,402)	(1,563)	(65)	0	(7,362)
NET SALES TO EXTERNAL CUSTOMERS	120,775	82,729	60,621	125,568	57,890	29,218	59,306	0	536,107
Operating income (loss)	16,915	8,151	4,724	14,827	4,505	1,519	(2,550)	(11,768)	36,323
Restructuring (gain)/charge	0	0	0	0	0	0	0	17,706	17,706
Interest expense	0	0	0	0	0	0	0	10,174	10,174
Interest income	0	0	0	0	0	0	0	1,312	1,312
Other	0	0	0	0	0	0	0	(895)	(895)
EARNINGS BEFORE INCOME TAXES, AND EXTRAORDINARY LOSS	16,915	8,151	4,724	14,827	4,505	1,519	(2,550)	(39,231)	8,860
Total assets	36,257	23,571	16,011	46,914	27,900	10,997	17,925	67,242	246,817
Depreciation	1,583	1,491	501	2,245	224	461	1,097	1,291	8,893
Capital expenditures	8,593	4,012	337	4,461	26	1,044	398	5,854	24,725

NOTE 18
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

In thousands, except per share amounts

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Fiscal Year	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Net sales	**$128,656**	$133,808	**$125,903**	$132,049	**$145,968**	$129,764	**$173,193**	$154,127	**$573,720**	$549,748
Gross margin	**57,561**	58,113	**56,639**	57,499	**65,596**	58,196	**77,296**	70,574	**257,092**	244,382
Pretax earnings	**6,811**	3,507	**6,891**	6,659[1]	**10,275**	6,435	**17,966**	14,484	**41,943**	31,085
Earnings before discontinued operations and extraordinary loss	**4,067**	3,788	**4,176**	6,625	**6,204**	6,273	**11,475**	38,237[3]	**25,922**	54,923
Net earnings	**4,067**	3,788	**4,176**	2,974[2]	**6,204**	6,273	**11,475**	40,093[4]	**25,922**	53,128
Diluted earnings per common share:										
Before discontinued operations and extraordinary loss	**.16**	.13	**.17**	.24	**.26**	.23	**.45**	1.30	**1.05**	1.89
Net earnings	**.16**	.13	**.17**	.11	**.26**	.23	**.45**	1.36	**1.05**	1.83

[1] Includes a restructuring gain of $2.4 million (see Note 2).
[2] Includes a $3.7 million extraordinary loss for early retirement of debt (see Note 9).
[3] Includes a tax benefit of $23.8 million (see Note 12).
[4] Includes a gain of $0.5 million, net of tax, from discontinued operations and a $1.5 million gain due to the tax effect of the extraordinary loss in the second quarter (see Note 9).

BOARD OF DIRECTORS

Ben T. Harris
Chairman, President and Chief Executive Officer – Genesco Inc.
Member of the finance and nominating committees

Leonard L. Berry
Director of the Center for Retailing Studies
Department of Marketing
Texas A&M University
College Station, Texas
Member of the compensation committee

W. Lipscomb Davis, Jr.
Partner –
Hillsboro Enterprises
Nashville, Tennessee
Chairman of the nominating committee, member of the audit committee

Joel C. Gordon
Chairman –
Crofton Capital Corporation
Nashville, Tennessee
Chairman of the audit committee, member of the compensation committee

Kathleen Mason
Retail Consultant
Member of the audit and finance committees

Hal N. Pennington
Executive Vice President and Chief Operating Officer
Genesco Inc.

William A. Williamson, Jr.
Chairman –
Cordova Ventures
Montgomery, Alabama
Chairman of the compensation committee, member of the finance committee

William S. Wire II
Retired Chairman –
Genesco Inc.
Nashville, Tennessee
Chairman of the finance committee, member of the nominating committee

Gary M. Witkin
Director –
Nashville, Tennessee
Member of the compensation committee

CORPORATE OFFICERS

Ben T. Harris
Chairman, President and Chief Executive Officer – 33 years with Genesco

Hal N. Pennington
Executive Vice President and Chief Operating Officer – 38 years with Genesco

James S. Gulmi
Senior Vice President – Finance and Chief Financial Officer 28 years with Genesco

James W. Boscamp
Senior Vice President – 8 years with Genesco

John W. Clinard
Vice President – Human Resources 25 years with Genesco

Matthew N. Johnson
Treasurer – 7 years with Genesco

Roger G. Sisson
Secretary and General Counsel – 6 years with Genesco

Paul D. Williams
Chief Accounting Officer – 23 years with Genesco

Annual Meeting of Shareholders

The annual meeting of shareholders will be held Wednesday, June 28, 2000 at 10:00 a.m. CDT, at the corporate headquarters in Genesco Park, Nashville, Tennessee.

Corporate Headquarters

Genesco Park
1415 Murfreesboro Road • P.O. Box 731
Nashville, TN 37202-0731

Independent Accountants

PricewaterhouseCoopers LLP
4400 Harding Road • Nashville, TN 37205

Transfer Agent and Registrar

Communications concerning stock transfer, preferred stock dividends, consolidating accounts, change of address and lost or stolen stock certificates should be directed to the transfer agent. When corresponding with the transfer agent, shareholders should state the exact name(s) in which the stock is registered and certificate number, as well as old and new information about the account.

First Chicago Trust Company
-a division of Equiserve
Stock Transfer Department
P.O. Box 2500 • Jersey City, NJ 07303-2500
Telephone: (201) 324-0313
Toll free: (800) 317-4445
Website Address: http:/www.equiserve.com
Telephone number for hearing impaired:
TDD: (201) 222-4955
Shareholder representatives are available:
Monday through Friday - 8:00 a.m. to 7:00 p.m.
Eastern Standard Time
Automated telephone service:
24 hours a day, 7 days a week.

Investor Relations

Security analysts, portfolio managers or other investment community representatives should contact:

James S. Gulmi, Senior Vice President - Finance
and Chief Financial Officer
Genesco Park, Suite 490 • P.O. Box 731
Nashville, TN 37202-0731
(615) 367-8325

Form 10-K

Each year Genesco files with the Securities and Exchange Commission a Form 10-K which contains more detailed information. Any shareholder who would like to receive, without charge, a single copy (without exhibits), or who would like to receive extra copies of any Genesco shareholder publication should send a request to:

Claire S. McCall
Director, Corporate Relations
Genesco Park, Suite 490 • P.O. Box 731
Nashville, TN 37202-0731
(615) 367-8283

Common Stock Listing

New York Stock Exchange, Chicago Stock Exchange
Symbol: GCO

Shareholder Information Line

Genesco maintains a toll-free shareholder information line to provide shareholders with timely information about the Company. Shareholders can obtain the latest financial releases and news updates, as soon as they are available, by dialing 1-800-6400-GCO (1-800-640-0426).

Shareholders may also request a copy of the Company's quarterly earnings release. The Company updates the list of quarterly information recipients annually and reminds shareholders to call each year at the number above if they wish to remain on the list.

Securities Information – Common Stock: New York and Chicago Stock Exchanges

	Fiscal 2000		Fiscal 1999		Fiscal 1998	
	High	Low	High	Low	High	Low
Quarter ended April 30	12	7 1/16	18 7/8	12 1/2	12 1/4	8 5/8
Quarter ended July 31	15	10 5/8	18 1/16	10 7/16	15 5/16	11
Quarter ended October 31	13 5/8	10 1/16	10 15/16	3 15/16	15 7/16	11 1/8
Quarter ended January 31	14	9	7 3/4	4 3/4	13 7/8	11 1/8

Approximate number of common shareholders of record: 7,400

NAUTICA

Nautica Footwear is a collection of weekend, at-home and sport footwear created in the tradition of style, function, comfort and quality.

Dockers is one of the nation's leading men's casual footwear brands among men ages 25-55 and serves a range of lifestyle occasions from dress casual to outdoor casual and all occasions in between.

DOCKERS

JOURNEYS

Journeys is a destination retailer for footwear and accessories for the teen market. With more than 320 stores nationwide, Journeys caters to a diverse, young, hip market, ages 13 to 22, in search of footwear that expresses its attitudes and lifestyles. Brands sold at Journeys include Dr. Martens, Skechers, Lugz, Steve Madden, Timberland, Vans, Soap, Airwalk, adidas, Candie's, GBX, MIA and more.

JOHNSTON & MURPHY

Johnston & Murphy is the lifestyle brand of choice for today's gentleman. With a 150-year history of quality craftsmanship and sophisticated styling, the brand offers footwear, belts, hosiery, shoe care products, leather goods and apparel through its signature retail stores, premier department stores, direct mail catalogs and the Internet, as well as internationally. Including its factory stores, Johnston & Murphy operates in more than 140 retail locations across the U.S.

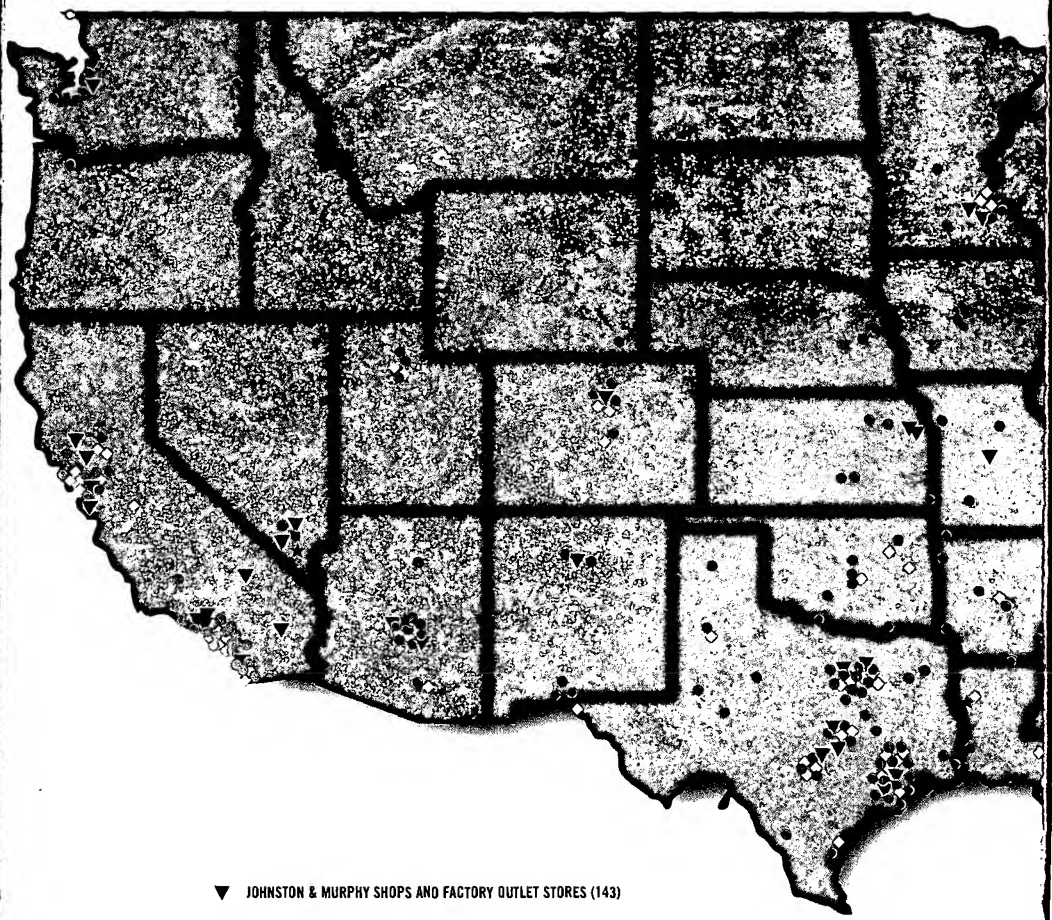
JARMAN

Jarman markets an assortment of branded casual and dress footwear in its 140 retail shoe stores located primarily in urban and suburban malls. Jarman's target customers are men ages 20 to 45.

UNDERGROUND STATION

Underground Station markets fashion footwear and hook-ups for the fashion conscious consumer ages 18 to 35. There are more than 20 Underground Station retail stores located primarily in urban areas. Brands sold at Underground Station include Timberland, Lugz, Buffalino and Phat Farm.

GENESCO'S RETAIL NETWORK



▼ JOHNSTON & MURPHY SHOPS AND FACTORY OUTLET STORES (143)

◇ JARMAN (140)

○ JOURNEYS (323)

☆ UNDERGROUND STATION (21)

(As of January 29, 2000)

GENESCO INC.
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